FINANCIAL TIMES

World Business Newspaper

TUESDAY JULY 23 1996

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Democracy and the free market
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Making tracks
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Technology, Page 8

Bonn says economy recovering after rise in exports

The German economics ministry said the economy was showing signs of recovery, and expected growth in the second quarter to more than make up for the sharp decline in the first. The ministry's report provides no detailed figures but indicates that exports and investment rose over the three months. Page 14

Fiat chairman warns on results: Fiat chairman Cesare Romiti said the the Italian automotive and industrial group recorded higher pre-tax profits in the second quarter than in the first three months of this year, but he warned it would have to work hard to match last year's strong performance. Page 15

Weather clears for TWA search: The US Coast Guard intensified its search for debris and bodies from last week's crash of a TWA jet after days of delay due to bad weather. Page 5

Perrier, the French bottled water group, said it would end a billboard advertising campaign in Belgium after threats of a consumer boycott in protest at the company's use of images of naked women. Page 14; Observer, Page 13

Russian bank gives bond warning: The Russian central bank warned it planned a crackdown on foreign investors buying government bonds on the same lucrative terms as locals. Page 2

Moody's angers Bank of China: US credit rating agency, Moody's, has angered Bank of China with a report placing its 11 Hong Kong-based affiliates near the bottom end of investment grade ratings. Page 4

Spanish bomb sparks security fears: British tour operators sought Spanish government assurances that security was being tightened to protect holidaymakers in the wake of Saturday's bomb at Reus airport, near Barcelona. Page 2

Samper unveils drug crimes measures: Colombian president Ernesto Samper presented constitutional and legislative reforms to Congress, covering some of the weaknesses in laws dealing with drug-linked crimes but made no mention of extradition, which has become crucial in deteriorating relations with the US. Page 5

Beijing plans power corporation: China plans to form a national corporation with assets worth Yn400bn ($46.5bn) to run all state power stations as part of reforms to commercialise the electricity generating sector.

Japan may fund Asian aircraft: Japan's ministry of international trade and industry is considering funding the joint development of a regional aircraft for the expanding Asian market, despite problems in an existing venture and plans by China to produce its own regional aircraft. Page 3

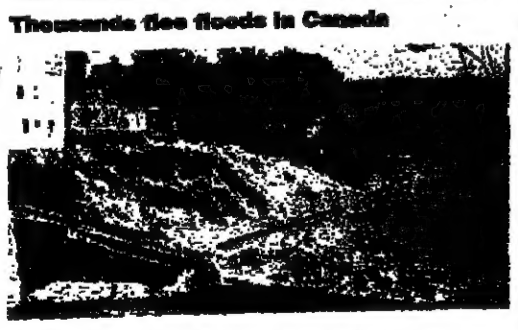
EU 'neutrals' in defence deal: The European Union and its four "neutral" member states, Austria, Finland, Ireland and Sweden, have reached a deal on a common defence policy. Page 2

S African union rejects economic policy: The Confederation of South Africa Trade Unions, the country's biggest trade union group described the government's economic policy as "a certain recipe for disaster". Page 3

Boost for Philippines' surplus: The Philippine balance of payments has risen from $280m in the first half of 1995 to $2.5bn in the first half of 1996 following rapid exports growth and higher than expected remittances from overseas workers. Page 4

Shanghai International, China's biggest securities company, had its shares suspended in Hong Kong as its local arm appeared set to buy of the territory's oldest financial services groups in a deal estimated at about HK$400m (US$52m). Page 18

Thousands flee floods in Canada



At least eight people have died and thousands forced to flee floods in Quebec, Canada, following two days of heavy rain. The town of Chicoutimi (above), in the south of the state, was among the worst hit areas after a dam burst.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,404.25	(-22.58)
NASDAQ Composite	1,081.83	(-15.85)
Europe and Far East		
CAC40	1,980.33	(-32.5)
DAX	2,462.48	(-37.79)
FT-SE 100	3,681.3	(-28.2)
Nikkei	21,605.63	(-470.68)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.267%
Long Bond	87$\frac{3}{32}$
Yield	6.971%

OTHER RATES

UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	97$\frac{3}{32}$	(97$\frac{1}{32}$)
France: 10 yr OAT	106.20	(106.01)
Germany: 10 yr Bund	98.96	(98.87)
Japan: 10 yr JGB	97.6182	(97.5182)

NORTH SEA OIL (Argus)

Brent Dated	$19.235	(18.59)

GOLD

New York: Comex		
(Aug)	$385.5	(385.3)
London:		
close	$384.02	(384.25)

DOLLAR

New York: lunchtime		
£	1.5520	
DM	1.4838	
FFr	5.0203	
SFr	1.20825	
Y	107.395	
London:		
£	1.5490	(1.5474)
DM	1.4863	(1.4885)
FFr	5.0308	(5.0417)
SFr	1.2081	(1.2165)
Y	107.78	(108.234)

STERLING

DM	2.3035	(2.3032)
Tokyo close:	Y 107.73	

Albania	LEK 220	Germany	DM4.00	Lithuania	Ls 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	Ekr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)	Esc240	Turkey	L90,000
		Lebanon	LL3,000			UAE	Dh12.00

Software problems hit Olympics

Atlanta games beset by computer and transport difficulties

By Richard Waters in New York and Peter Aspden and Keith Wheatley in Atlanta

International Business Machines faced an awkward Olympic challenge yesterday when the US computer company admitted it was racing against time to fix a series of "start-up" problems which have halted the flow of official results.

The glitches, which the company blamed on software programmes, have interrupted results flowing from the games' many venues to newspapers and Internet users around the world. At times, the 17,000 reporters in Atlanta have been unable even to obtain lists of competing athletes.

The computer problems come as the games organisers are trying to untangle the city's transport system. International Olympic Committee officials told the Games organisers to solve the traffic problems quickly, and the organisers then summoned Mayor Bill Campbell of Atlanta to discuss the congestion.

Most complaints from competing teams are aimed at the bus network established to ferry athletes to their venues. There have been daily reports of buses not turning up, breaking down and drivers getting lost, prompting the British team to lodge a formal complaint with the IOC.

British rower Steve Redgrave, aiming for a fourth successive gold medal, quit the Olympic village in disgust yesterday and booked into a hotel close to the regatta venue after buses were taking 2½ hours for a one-hour trip. Meanwhile, the patience of Ukrainian, British and Polish rowers snapped when they hijacked a bus which had been heading for the hockey venue.

The technology problems are a setback for IBM's plans to use the event as a showcase, and the company said it was making "round the clock" efforts to resolve the difficulties. "Today is better than yesterday, and tomorrow will be better than today," a spokesman said.

For the first Olympic Games to be run entirely with commercial backing, the computerised teething problems mark an embarrassing opening. IBM, like other sponsors to the Games, paid $40m for the privilege of linking its name to the Olympic rings.

While purists have complained about the effect this commercialisation has had on the event, IBM, like other technology suppliers, has used it to promote its technological prowess.

At many venues, staff of Atlanta's Olympic organising committee are having to use the old-fashioned technique of passing round results to journalists on paper. A committee spokesman, Mr Bob Brennan, said the glitches were being resolved. But he said the Atlanta Games posed unprecedented problems.

"In previous Games, the information system was dealt with by one company. Here, we are dealing with a number of telecommunications companies. It is one of the consequences of our free enterprise system," he said.

It appeared, however, as though the problems were largely down to IBM – though the company suggested that it had been hampered in part by the way its systems were being used.

A spokesman for the company said, for instance, that three Lithuanian basketball players had

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Timing is everything, Page 12
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Revenue to be raised from companies which currently pay no tax

India presents budget designed to help the poor

By Mark Nicholson in New Delhi

India's five-week-old government yesterday presented a budget designed to help the country's poor and raise revenue from companies which currently pay no taxes.

There were few reformist measures which the markets had wanted to sustain the economic liberalisation initiated by the previous Congress government led by Mr P.V. Narasimha Rao.

Despite the latest spending measures to help the rural poor, represented by the 13 parties in India's United Front government, Mr P. Chidambaram, finance minister, pledged to cut the fiscal deficit to 5 per cent of gross domestic product from last year's 5.9 per cent.

Mr H.D. Deve Gowda, prime minister, said the budget had been "of the poor, and the poorest of the poor and the neglected". Mr Chidambaram said the government remained "steadfast" in pursuing economic reforms, but had to "address the concerns of the poor" while ensuring growth and "fiscal prudence".

The budget was generally well received by Indian business, despite the corporate tax measures. The Bombay Sensex stock market index closed at 3,807.6, up from the Friday close of 3,783.

However, some foreign investors were disappointed that Mr Chidambaram deferred for at least a further year any moves to open the country's state-run insurance sector to foreign investment. The minister's sole direct concession to foreign investment was to raise the ceiling on equity holdings by foreign interests in an Indian company from 5 to 10 per cent.

The budget contained several new schemes to finance rural development and social spending by India's states, reflecting the influence of the regional parties in the coalition, raising spending for the fiscal year ending next March to Rs2,046bn ($57bn) from Rs1,890bn last year.

However, Mr Chidambaram said growth estimated at 6.6 per cent next year would keep tax and excise revenues buoyant, with revenues enhanced by receipts of Rs50bn expected from three tranches of public asset divestment. These would be launched in September, November and January, he said.

Revenues would rise to Rs1,980bn from Rs1,754bn, leaving a fiscal gap of Rs622bn, or 5 per cent of this year's estimated gross domestic product, he added.

While keeping maximum tariff rates unchanged at 50 per cent, the minister cut a wide range of tariffs on raw materials in chemicals, textiles, metal-related, electronics and other industries. He also introduced a 2 per cent "special customs duty" on most imports which he said was necessary to meet the "burden" of infrastructure investments.

He also announced a new tax on corporations designed to embrace an estimated 1,000 Indian companies which currently pay no taxes by taking advantage of numerous depreciation allowances and investment exemptions. The tax, similar to one which was withdrawn in the late 1980s, would levy an average 12 per cent rate on such "zero tax" companies – which include most of India's biggest groups.

Indian finance minister P Chidambaram arriving at parliament where he presented the five-week-old government's budget which was aimed at helping the country's poor
Picture: Reuter

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EU ministers told BSE can spread to sheep

By Neil Buckley in Brussels

Tough new controls on the production of lamb were demanded last night by Mr Franz Fischler, European agriculture commissioner, who warned that he had evidence that BSE, or "mad cow" disease, could be passed to sheep.

Although BSE is thought to have developed in cattle which consumed feed containing the remains of sheep suffering from scrapie, a brain disease, Mr Fischler said he had last week received "experimental evidence" that the cattle disease could be transmitted back to sheep.

Mr Fischler, told farm ministers meeting in Brussels, that the information had come through a committee of scientific experts appointed by the European Commission.

He said the research showed the BSE infection tended to affect more parts of the body of a sheep than a cow. The infection was also more widespread within a sheep's body than scrapie, and had been found in the spleen as well as in nerve tissues.

He was calling on European Union veterinary experts to extend BSE-type control measures to sheep, and insisting that offal such as the spleen and nerve tissues be removed from sheep, goats and all ruminant carcases. Such measures have already been introduced in France.

Officials and ministers including Mr Douglas Hogg, the UK agriculture minister, sought to play down the implications of the new evidence last night, saying that the parts of sheep infected by the disease were not consumed by humans and were already generally removed from sheep meat in abattoirs. But there were fears that Mr Fischler's comments could make consumers question the safety of lamb. Precise details of the proposals have yet to be formulated, and Mr Fischler said it might be possible to limit the measures to animals over a certain age.

Mr Fischler is also calling for tighter controls in animal feed factories to ensure that feed containing mammal remains destined for non-ruminants cannot "contaminate" meal destined for ruminants. Proposals for a labelling programme to make clear that feed contains mammalian protein are under discussion with member states.

His comments came as he outlined to ministers proposed measures to "rebalance" the beef market.

Beef crisis, Page 7

Enron's $2bn purchase boosts role in US electricity market

By Richard Waters in New York

Enron, the Houston-based company which has been at the forefront of reshaping the natural gas industry in the US, yesterday acquired Portland General, an electricity producer and distributor based in Portland, Oregon.

The move marks the company's attempt to play a leading role in the deregulation of the country's electricity industry.

Enron's shares dropped 5 per cent yesterday morning on fears over the impact the acquisition would have on its earnings, putting the value of the all-stock transaction at just over $2bn.

The natural gas company will also assume $1.1bn of Portland's debt. Enron's shares were trading at $39⅝, down $2¼, while Portland's jumped $6⅝ to $34⅞.

Mr Kenneth Lay, Enron's chairman, said the deal would "reshape the future of both the natural gas and electric utility industries" in the US.

Until now, combinations of electricity companies in the US have typically involved mergers of neighbouring generators, which have seen benefits in combining overlapping activities and reducing costs. Yesterday's announcement, however, brings a brash and aggressive upstart into one of the last and most staid of the US's big regulated utility industries.

Enron, having taken advantage of the opening up of the US natural gas market over the past 10 years to assemble a nationwide pipeline system, claims 17 per cent of the country's $30bn wholesale natural gas distribution business, making it the largest such company in the industry.

It is also a big wholesale marketer of electricity, and said the acquisition would make it the country's largest seller of electricity to big customers after the Tennessee Valley Authority.

Besides its natural home in the wholesale market, which involves sales to large, mainly corporate buyers, Enron also set its sights for the first time on sales of both electricity and natural gas to retail customers. Mr Lay said Enron aimed to become the biggest marketer in the US electricity business, which is worth $270bn a year.

To achieve that, however, it will have to develop a national retail brand, a task that will involve skills that the company has yet to develop. The acquisition of Portland will for the first time bring it retailing, billing and meter-reading activities.

The deal will require regulatory approval that could take a year or more to obtain, the two companies said. Current regulations will prevent Enron from making any other big acquisitions in the electricity business.

Mr Lay said the company had no intention of acquiring additional electricity generation or distribution assets, but hoped to expand its reach through marketing and other agreements.

Enron fired up for global deregulation of energy, Page 16

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NEWS: EUROPE

EU 'neutrals' to join defence initiative

Austria, Finland, Ireland and Sweden give Maastricht review its first breakthrough

By Lionel Barber in Brussels

The European Union has achieved a breakthrough in talks with its four "neutral" member states on forging a common defence policy.

Austria, Finland, Ireland and Sweden have signalled they are willing to incorporate peacekeeping, armed humanitarian aid, and crisis management in a revision of the Maastricht treaty.

The political breakthrough on defence came during a meeting of high-level representatives to the Maastricht treaty review conference (IGC) in Cork, Ireland, a fortnight ago.

It is the first sign of movement in the four-month-old IGC, according to Brussels diplomats.

The willingness of the four non-aligned EU member states to consider limited military operations on a case-by-case basis must still be endorsed by heads of government, but it reflects shifts in thinking on defence and security in post-cold war Europe.

Factors include the decline of the Russian military threat, US support for a greater European role in defence, plans to expand the Nato alliance to the former communist countries of central Europe before the end of the century, and pressure on "neutrals" to abandon their reticence on defence matters.

Thus, Nato enlargement threatens to leave Austria surrounded by alliance members to the west and east, marginalising the EU newcomer. Finland, with one eye on Russia, is straddling between Nato and its responsibilities as a new EU member. Sweden and Ireland have quietly retreated from narrow definitions of neutrality.

At the Cork meeting, all sides reportedly adopted a practical approach, focusing on the so-called St Petersburg tasks which were set out in a 1992 declaration of the Western European Union, the fledgling defence arm of the EU.

The WEU statement said members were ready to support "on a case-by-case basis ... the effective implementation of conflict prevention and crisis-management measures, including peacekeeping activities" under the umbrella of the UN or the Organisation for Security and Co-operation in Europe.

The willingness of the Irish, Austrians, Finns, and Swedes to assume the St Petersburg tasks delighted France which is pushing hard to strengthen the EU's common foreign and security policy. German officials were encouraged, while noting that French enthusiasm could be driven by the fact that the WEU is based on loose inter-governmental co-operation rather than supranational integration with a role for the European Commission and the Court of Justice.

The UK government remains hesitant because it does not want to give the EU – a civilian power – specific new responsibilities.

This line of thinking applies even though operations under the WEU umbrella would be limited and often contracted out to the Nato alliance. But UK officials concede that the Cork consensus marks an improvement on the debate in the 1991 Maastricht treaty when France appeared to be leading an effort to create a common European defence rivalling Nato. The spectre of a common European army was one reason why Danes rejected Maastricht in their June 1992 referendum.

Officials stressed that the precise relationship between the EU and WEU needed to be resolved in future IGC negotiations, as well as Swedish and Finnish demands to be treated "on an equal footing" with full WEU members.

Kinnock gives assurance over Air France aid

By Neil Buckley in Brussels

Mr Neil Kinnock, the European Union transport commissioner, yesterday sought to reassure competitors of Air France that he had investigated allegations of anti-competitive practices fully before approving a third tranche of state aid.

When commissioners meet tomorrow they are expected to agree that the FFr5bn ($1bn) tranche of a controversial FFr20bn package to the loss-making state airline can be paid. France is understood to have agreed to withhold FFr1bn of the money pending a further report on Air France's restructuring programme.

Approval of the payment is likely to provoke an angry response from competitors. KLM, Lufthansa and Scandinavian Airlines System had complained to the Commission that Air France was using state aid to undercut their fares. The airline was specifically forbidden to do this when the Commission approved the three-stage aid package to support its restructuring in 1994.

Although he refused to give details of his decision, Mr Kinnock told journalists his department had rigorously pursued all complaints about Air France. "I am determined that what happens with Air France will adhere to the original conditions and character of the decision made in 1994."

Investigations by Mr Kinnock's staff and independent consultants are thought to have found that Air France did not offer the cheapest fares on many routes cited by rivals, and therefore could not be accused of predatory pricing.

Only on routes also operated by SAS to Scandinavia, including Stockholm, Gothenburg, Oslo and Copenhagen, was Air France found to be offering the cheapest fares, under a special promotion, which it agreed to end this month.

The agreement to delay payment of FFr1bn is thought to be connected with a desire by Brussels to satisfy itself that the airline's proposed merger with Air France Europe, its domestic partner, was operating in a transparent and non-discriminatory way.

Although the Commission could not impose this condition without reopening the state aid inquiry, competition rules did allow it to request that France complied with the condition, which it agreed to last week.

Officials said they were awaiting formal notification before deciding whether to probe under state aid rules the planned L1,500bn ($1bn) capital injection into Alitalia by the Italian treasury and Iri, the state holding company which owns 90 per cent of the airline.

They added it was "not impossible" that the Commission would decide to scrutinise the UK's decision last week to allow ferry companies Stena and P&O to merge or pool resources to compete with the Channel tunnel.

The European Commission yesterday cleared Swissair's purchase of Allders International, the worldwide duty and tax-free shop at airports and on cruise liners, Reuter reports from Brussels.

It also cleared the purchase by Enderly Holdings of the Sata-Burges Electronics group of companies which formerly constituted the electronics division of Williams Holdings.

In another ruling, it gave the go-ahead for the creation of a joint venture between Hoechst and Minnesota Mining & Manufacturing Co into which the companies are transferring their worldwide activities in melt processable fluoro-plastics and fluoro-elastomers.

Slovenia seeks to recover its Yugoslav reserves

By Kerin Hope in Athens

Slovenia has launched an attempt to recover its share of former Yugoslavia's foreign exchange reserves by claiming $650m it says was transferred by the central bank to a Yugoslav offshore bank in Cyprus.

In response to the Slovenian claim, a Cypriot court has temporarily frozen deposits of the former central bank held by Beogradska Banka's offshore branch in Nicosia, pending a hearing next week.

Beogradska Banka rejected the claim, saying it concerned funds of the National Bank of Yugoslavia, the former central bank, "and not funds or accounts of Beogradska Banka."

A large part of former Yugoslavia's foreign exchange reserves, estimated at between $3bn and $7bn, are believed to have been transferred from Belgrade to Beogradska's branch in Cyprus after the federation collapsed in 1991.

Slovenia would be entitled to claim some 16 per cent of former Yugoslavia's foreign currency holdings after reaching agreement last month with the London Club of commercial banks to take on the equivalent percentage of former Yugoslav debt.

However, the Serbian government is believed to have used Yugoslav reserves held abroad to buy weapons for the war in Bosnia.

Bankers said Beogradska, one of former Yugoslavia's largest state banks, was active in financing trade by Yugoslav companies in the Middle East through its Cyprus operation.

They added that after the break-up of Yugoslavia, Beogradska officials on the island retained close ties with President Slobodan Milosevic of Serbia, a former employee of the bank.

Beogradska's Cyprus branch flourished after hundreds of Serbian companies set up offshore operations on the island in order to get around UN sanctions against the rump Yugoslavia.

However, when the UN sanctions were extended to freezing Yugoslav assets held abroad, many Serbian-owned companies shut down and the bank sacked all but a handful of its staff.

One banker said that even if the ex-Yugoslav foreign exchange reserves on Cyprus had been left intact, they were likely to have been transferred to another offshore haven before the clampdown on Serbian offshore operations in Cyprus.

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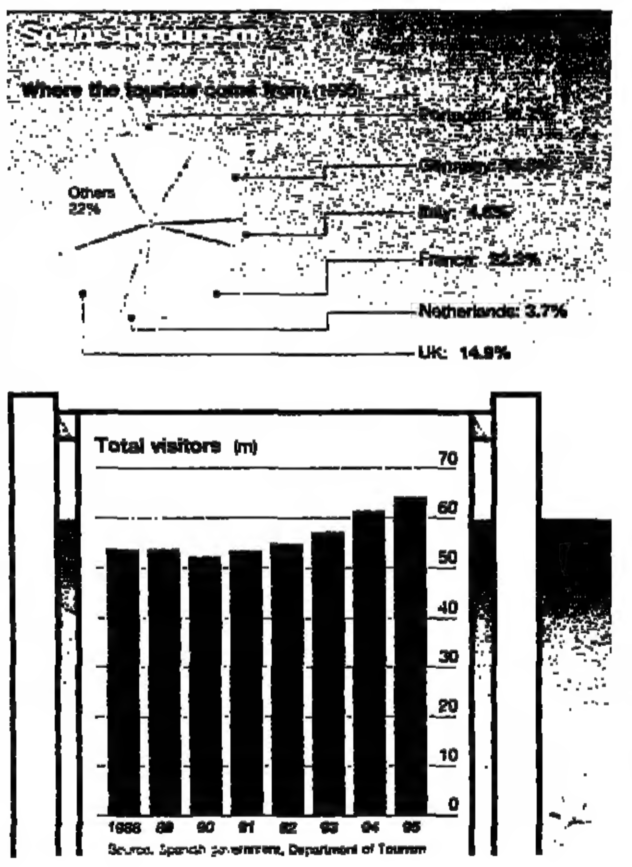
Holidaymakers keep their cool in face of Eta attempt to bomb them off the beaches

Packed beach at Salou yesterday morning suggested holidaymakers were not paying much heed to the Eta terrorist threat PA

Madrid fearful of damage to tourism



By Tom Burns in Madrid

Spain's tourist authorities appear to be a lot more worried than the tourists about the latest bomb campaign launched by Eta, the Basque separatist organisation.

Yesterday, latecomers to the huge semicircular beach at Salou, the resort 100km south of Barcelona which was the main target of the weekend blasts, had to look hard for space in which to stretch out on their towels and soak up the sun.

In Madrid, officials of the government's tourism institute set up a damage control centre where they began to assess the impact of terrorism on the Spanish economy's single biggest revenue earner and employer. The first signs were encouraging. "So far, there have been no charter flight cancellations," one official said.

Early yesterday, police defused a small bomb in a Salou hotel, the sixth explosive placed by Eta in the area since the weekend. Five British tourists, who were among 35 injured when a blast ripped through the departure lounge of the nearby Reus airport on Saturday evening, remained in hospital but out of danger.

A British embassy spokesman in Madrid was reassuring. "We are advising people to be vigilant, to be as alert as they would be in London," he said. "These things have to be kept in perspective. We are talking about the first British tourists to have been hurt in terrorist violence in a country where millions of Britons have come for years to spend their holidays."

But the concern among Spanish officials is two-fold. One is that there is nothing to suggest that Eta, whose initials in Basque stand for Basque Homeland and Freedom, will abandon a strategy of attacking soft targets that has allowed it to gain maximum media exposure with a minimum of risk.

The other is that more bombs could wreck what is expected to be a record year for the tourism industry.

Income from tourism, which grew by 9 per cent last year to total Pta3,100bn ($25bn), is set to grow by a further 1 per cent this year. The leisure industry as a whole accounts for about 9 per cent of Spain's gross domestic product and for about one out of every 10 jobs there.

The new centre-right government formed by the Popular party has said the bomb campaign will not change the step-by-step policy it has adopted to neutralise Eta terrorism. This consists mainly in working closely with the moderate Basque Nationalist party which runs the autonomous government in the Basque region.

The policy rules out direct contacts with Eta which were secretly pursued by the previous Socialist government – it is likely that whatever future contacts there might be will be carried out by the moderate regionalists.

But, in contrast to a Socialist ruling that Eta prisoners should be dispersed to avoid their communicating with each other, the Popular party is beginning to regroup some of the more than 500 convicted separatists in jails near the Basque country.

Mr José Maria Aznar, the prime minister and leader of the Popular party, vowed in the election campaign that brought him to power last March that Eta terrorists would "rot in jail". The more conciliatory approach to the Basque problem he subsequently adopted is now being tested to its limit.

UK companies demand tighter security

By Scheherazade Daneshkhu
Leisure Industries Correspondent

Britain's tourism industry yesterday sought assurances from the Spanish government that security was being tightened to protect holidaymakers in the wake of the bomb at Reus airport.

UK tour operators said a small number of Britons had cancelled holidays in Spain, but the French and German tourist industry bodies said they had no reports of cancellations. More French go on holiday in Spain than any other nationality.

Mr Keith Betton, head of corporate affairs at the Association of British Travel Agents, said the bombs were "a very serious threat to the image of Spain as a tourist destination". He warned that continued attacks might change the current "laid-back attitude of British holidaymakers".

More than 7m British holidaymakers visited Spain in 1994, of which just under 5m took a package holiday, with the remainder making independent arrangements.

After meeting Spanish National Tourist Office officials in London yesterday afternoon, Abta said it had been told extra police were being deployed at airports. British tour operators yesterday urged hotels to increase security and echoed the British Foreign Office's advice to holidaymakers to report suspicious bags.

At the Thomas Cook travel agency shop in the City of London, Ms Sarah Jane Kidd, an expenses clerk from Maidstone in Kent, said she had decided against going to Spain and had chosen Corfu instead. "I wouldn't go now because it's not safe, but if I'd already spent a lot of money on a booking, I probably wouldn't be put off," she said.

Package holiday companies, which are applying cancellation fees, reported only a handful of cancellations yesterday. Airtours, the second largest package holiday company, said four out of its 1,800 passengers due to fly to Reus yesterday had cancelled. Thomson, the largest tour operator, said it had also received a few cancellations.

In Germany, the Deutscher Reisebüro Verband, the industry body for German package holiday companies, said it saw no reason at the moment to warn against travel to Spain, which is top of the league of foreign holiday destinations.

EUROPEAN NEWS DIGEST

Turkey opts for import tax

Turkey's two-week-old Islamist-led government yesterday decided to tax imports in an attempt to stabilise worsening external accounts and shore up public finances rapidly deteriorating under the pressure of its populist economic policies.

Details were not available yesterday, but analysts said the government's failure to produce a comprehensive revenue-raising package had deepened gloom over the country's finances. Mrs Tansu Çiller, leader of the centre-right True Path party and junior partner in the coalition government, had promised to find financing for a 50 per cent public sector pay increase, which will add about $1.5bn to government spending.

Economists said the import tax proposal, announced following a three-hour meeting with senior economy officials, may not raise more than $250m-$300m. European Union officials were unsure how the new import charges would work and were unwilling to comment on whether they violated Turkey's customs union with the EU. *John Barham, Ankara*

France to sell shipping group

France is to keep up the pace of its three-year-old privatisation programme by seeking buyers for Compagnie Générale Maritime, the lossmaking shipping group.

The ministry of economy and finance said yesterday the privatisation would take the form of an agreed sale to a single buyer or group of buyers. The move followed the European Commission's approval of a FFr1.13bn ($210m) state capital contribution to be made at the time of the sale.

The ministry said the aim of this contribution was to enable the privatisation to take place and to ensure the company's future viability. In 1995, CGM made a net loss of FFr497m, but is forecasting "close to break even" for the current year, when turnover is expected to be FFr3.5bn.

It has a fleet of 31 ships, half of which it owns and half of which it charters long term. Interested parties have two weeks to make their interest known to the government and then a further eight weeks to formulate offers. *David Owen, Paris*

Warning to German companies

Germany's securities watchdog yesterday warned companies against delaying publication of market-moving news, especially where losses were involved.

The federal supervisory office for securities trading said companies must report such news as soon as it was available to the management board and not wait until it had been approved by the supervisory board or the annual meeting.

The office said the information policy of some companies violated the securities trading act which lays down that market-moving news must be disseminated without delay. Without mentioning names, it said some companies apparently tried to announce negative news about the past year together with the first positive news about the current year. *Andrew Fisher, Frankfurt*

Russia to shut 'backdoor' access to government bonds

By Chrystia Freeland in Moscow

The Russian central bank warned yesterday of a crackdown on the "dubious" schemes of foreign investors to buy government bonds on the same lucrative terms as locals.

The bank's warning is a sign, in the aftermath of volatile presidential elections, of the attempt to establish a "normal" economy in which all transactions are regulated by an above-board, clear set of rules. However, it also suggests that foreigners, who are hungry to enter Russia's highly profitable domestic debt market, could face discrimination for some time to come.

The central bank has recently made it easier for non-residents to invest in Russian treasury bills through official channels. They are guaranteed returns in dollars, but yields have been capped at around 20 per cent annually, less than half those available to local buyers. The intention was to help bring down the crippling cost of public borrowing, which rose about 200 per cent – annualised in roubles – in the anxious days ahead of the presidential ballot.

But Mr Andrei Kozlov, deputy governor of the central bank, yesterday served notice that an easier official entrée would be counterbalanced by a high-level effort to close the backdoor through which the lion's share of western money has been flowing into Russia's profitable government debt market.

"We know about these dubious schemes and we will force our participants to withdraw themselves from these schemes," Mr Kozlov said. "Our idea is that now we have taken clear steps and the rules of the game are clear. So we say please play by these rules or we will punish you."

Mr Kozlov estimated that some 10 per cent of outstanding government debt was held by foreigners who had invested through these "dubious" but perfectly legal schemes, most often by lending money to local agents who would then buy bonds on terms offered to domestic investors. Only 6.8 per cent of the debt was held by foreigners who had invested through the official channel openned earlier this year.

He said the central bank was consulting foreign investors using the shadow schemes and hoped to negotiate "a peaceful withdrawal".

Western bankers reacted cautiously to the announcement, saying that outsiders would abide by the central bank's decision because of their reluctance to make any investment which might be attacked by the Russian government. But they warned that merely by closing the backdoor to investment, the central bank could not be certain that buyers would choose to walk in through the narrower official entrance.

Said one: "If they want foreign capital they have to offer parity with local investors."

- The Russian central bank is withdrawing the licence of Tveruniversalbank, the country's 17th largest commercial bank, officials said yesterday. The decision will mean the complete liquidation of the bank, which was brought under the administration of the central bank earlier this month.

Its collapse could fuel widespread fears that Russia's fragile banking sector is on the brink of a crisis. In an effort to minimise the fallout, the state-owned savings bank has guaranteed the holdings of all Tveruniversalbank depositors.

NEWS: WORLD TRADE

US group aims for Vietnam generator

By Jeremy Grant in Hanoi

American Electric Services (AES), the US power company, yesterday said it is still in the running for a $330m, (£211.5m) build-operate-transfer (BOT) power plant contract in northern Vietnam which could be the country's first independent power project.

"We have been asked in to continue talks," said an AES official who declined to be named. AES' sole rival for the project, Oxbow, said some weeks ago it had been chosen by Electricity of Vietnam (EVN) to negotiate for the job.

However, AES and Oxbow have both been negotiating with EVN for some time and press reports that Oxbow had been selected – sparked by comments by a senior Oxbow official to a local newspaper – now appear inaccurate.

Hyundai of South Korea had been shortlisted but is not involved in further talks. The two US companies envisage using brown coal from coal-rich Quang Ninh Province to fire the plant, which could be operational by June 1999.

However, the AES official said a deal might take at least six months to clinch. The main sticking point is over pricing for the electricity. Vietnamese negotiators are thought to have whittled the two companies down to proposals involving a price of just under 5 cents per kilowatt hour.

Industry analysts say this would only just make the project viable over the suggested 20-year life of the BOT. "It's basically a Chinese auction," said one.

Vietnam, which faces a power crisis and severe regional shortages, is looking at bids from about 40 foreign power companies for an independent power project known as Phu My Two, Phase 2. The first phase of the project has been financed by the World Bank on condition that the second phase is done on a private basis.

Airbus favoured to increase Chinese fleet compatibility

China to reshuffle air partners

By Tony Walker in Beijing

China's aggressive pursuit of Airbus Industrie as a partner for its 100-seat airliner seems certain to lead to a reshuffle of members of the foreign consortium engaged in the project.

Airbus involvement would also mean that Daimler-Benz Aerospace (Dasa) of Germany and Casa of Spain would be drawn into the project. Both are members of the four-nation Airbus Industrie, which also includes British Aerospace and Aérospatiale of France.

The latter two companies are already partners with Alenia of Italy in a venture, Aero International Asia, which signed a memorandum of understanding with China earlier this month to build the Asian Express 100 (AE-100).

Western aerospace representatives in Beijing said it was likely that in the end China's European partners would include Airbus, representing Aérospatiale, British Aerospace, Daimler Benz and Casa plus Alenia, a unit of Finmeccanica.

Alenia would be no stranger to a broader European partnership since it it is involved in the Eurofighter project with Daimler-Benz and British Aerospace.

A representative of Aviation Industries of China (Avic) told the official China Daily that Chinese insistence on Airbus's inclusion in the AE-100 partnership was in order that the plane be compatible with other elements of the Airbus fleet.

"We want the AE-100 to share certain features with Airbus planes so as to benefit the end users," said the official. China recently signed an order for $1.5bn worth of Airbus aircraft, including 30 150-seat A320s. The deal effectively broke Boeing's stranglehold on the China market.

China's Avic is expected to take a 45-50 per cent stake in the 100-seat project, with the Europeans 40 per cent and Singapore Technologies Aerospace 10-15 per cent.

Japanese may fund regional Asian aircraft

By Michiyo Nakamoto in Tokyo

Japan's Ministry of International Trade and Industry is considering funding the joint development of a regional aircraft for the fast expanding Asian market despite problems in an existing venture, the YS-X, and plans by China to produce its own regional aircraft.

The trade ministry envisages that the project, involving Japanese and Asian manufacturers, will develop a 100-seater aircraft to meet growing regional demand for short-distance air travel.

The type of aircraft will depend on a feasibility study.

The ministry hopes to keep both production and maintenance costs as low as possible and does not expect to develop large aircraft in competition with Airbus or Boeing.

The Asian region is expected to show the fastest growth in air travel into the next decade and aircraft manufacturers believe that demand for aircraft from Asian countries will be a major source of growth for the industry.

The Japan Aircraft Development Corporation, a consortium of large Japanese manufacturers, forecasts that between 1995 and 2015, the Asia-Pacific region will see demand for 4,237 aircraft, or more than a quarter of total worldwide demand during that period.

Miti plans to apply for funds in next year's government budget to subsidise joint development with Asian countries in the programme.

The ministry believes the project will give Japan an edge in fostering a regional aircraft industry. If funding is approved, a feasibility study would start as early as next fiscal year.

The plan underlines Japan's continuing efforts to develop an aerospace industry – a long-standing priority.

The government has pumped billions of yen into one programme after another – usually involving participation in aircraft development programmes by Boeing of the US.

These ventures have provided Japanese industry with some technological know-how but little commercial success.

Most recently, Japan put up Y10bn ($92.4m) over four years towards the development, in which Japanese manufacturers have participated, of the Boeing 777, a 400-seater, two-engine jet.

However, another programme aimed at putting domestic manufacturers in the lead role as developers of a small regional aircraft, the YS-X, has failed to take off.

Although government funding for this project, which has to date amounted to Y2.65bn, is expected to continue, the programme has been dogged by difficulties such as finding partners.

Plans by China to develop its own regional aircraft have cast a shadow over market prospects. Miti stresses that the latest plan is unrelated to the YS-X project and aims instead to nurture Asian industry.

The Indonesian government, for example, has asked Japanese industry to participate as sub-contractors in its programme to develop a small jet aircraft.

Japanese aerospace manufacturers, which depend for about 75 per cent of their sales on defence contracts, have recently faced a period of falling orders.

Telecoms reform tops Asian agenda

US pressure to speed regional liberalisation is at the top of the agenda at a gathering of Asia-Pacific telecommunications officials today, but hopes for direct Taiwan-China telecoms links could steal the limelight, Reuter reports from Taipei.

Officials from all 18 Asia-Pacific Economic Co-operation (Apec) members, including Taiwan, China and the US, will also prepare a final agenda for a September meeting of Apec telecom ministers in Australia, the telecom sector prelude to Apec's annual leadership summit in November.

Analysts expect China will use the Taipei meeting as a chance to press Taiwan to end a ban on direct communications dating from 1949, when China's Nationalist government, defeated by the communists, took refuge on the island.

Telephone calls across the 220km (140-mile) Taiwan Strait must be routed through Hong Kong, Singapore or even the US, adding to the costs and frustration of Taiwanese tending China investments worth $20bn.

Taipei says sovereignty issues make a lifting of the ban impossible at the moment, but Taiwan's state-owned telecom monopoly Chunghwa has acknowledged that China's huge market is a key to long-term survival.

Steps to liberalise Asia's telecom markets are also expected to be discussed at the meeting, with initiatives for advancing telecom infrastructure in the Asia-Pacific region.

Washington has urged Asia's rapidly growing economies to table better offers for freeing their telecom markets, saying this would attract new investment and drive innovation.

Acting US Trade Representative Ms Charlene Barshefsky has said that Apec is an appropriate forum for promoting US and World Trade Organisation free-trade initiatives.

WORLD TRADE NEWS DIGEST

Venture hit by polyester prices

Total and Amoco are to abandon a joint venture to produce the raw material for polyester, in the face of adverse market conditions. The two oil companies had planned to build a 350,000 tonne paraxylene plant in north-western Europe, with raw materials from Total and technology from Amoco.

Paraxylene is used to make purified terephthalic acid (PTA), one of the main ingredients in polyester plastics such as PET and polyester fibre.

Amoco, which has been expanding its polyester operations aggressively, is the world's largest producer of PTA. However, the polyester market has suffered a sharp reversal since the joint venture with Total was announced last July.

PET prices have fallen by more than 40 per cent in the last year, and industry estimates point to oversupply and low prices for several years to come.

Total said yesterday the downturn in polyester had created price pressures and highlighted logistical difficulties in the planned joint venture. However, Amoco said it still planned to build a paraxylene plant in Europe. *Jenny Luesby, London*

Pilkington plans Indian plant

Pilkington, the UK glassmaker, has signed a memorandum of understanding to build a $150m float glass factory outside Madras in south India in a joint venture with the Tamil Nadu state's industrial development corporation.

The investment, one of the biggest direct manufacturing investments by a UK-based company in India, would produce 3,500 tonnes a week of float glass and 250,000 sets of toughened and laminated vehicle glass. Tamil Nadu state is fast becoming India's second biggest automotive centre after Maharashtra, following major greenfield car plant investments from Hyundai of Korea and a joint Ford, Mahindra & Mahindra venture.

Pilkington will own a majority share of the venture in which Tamil Nadu will take an 11 per cent state. The UK company said it would aim to float 25 per cent of the new venture on Indian markets. *Mark Nicholson, New Delhi*

China rules on tobacco ventures

China has decided not to approve the establishment of any foreign-funded enterprises in the tobacco industry in the next five years, the official Xinhua news agency reported yesterday. The State Tobacco Monopoly Bureau said China would not launch any new Sino-foreign joint ventures in production of cigarettes, filters or tobacco processing but would continue to conduct technological co-operation with foreign manufacturers. The decision has been taken because supply and demand is balanced on the domestic market, and the government will focus on curbing illegal operations in the industry, officials said. *AFX, Hong Kong*

Mexican counterfeiters caught

Mexican authorities have raided a factory in Mexico City that had millions of counterfeit clothing labels for brands such as Levi's, Guess, Gap and Furore.

Millions of labels of prestigious brands printed on about 6,000 metres of rolls of cloth were secured by the police, who also found computer equipment used to create the labels. There were also orders from a separate factory for fabric to make counterfeit clothes, trainers and caps. Officials said the investigation began after the attorney general's office received complaints from the legal owners of the trademarks. *Reuter, Mexico City*

NEWS: INTERNATIONAL

S African unions attack economic policy

By Roger Matthews in Johannesburg

South Africa's biggest trade union federation yesterday declared war on the government's economic policy, describing it as "a certain recipe for disaster".

Mr Sam Shilowa, general secretary of the Confederation of South Africa Trade Unions (Cosatu), said the policy, announced last month, would lead the country in a direction diametrically opposed to that set out initially in the reconstruction and development programme.

The tripartite alliance between the African National Congress, which heads the government, Cosatu and the Communist party, was in a difficult position, he declared.

"There is no crisis at the moment. But if we do not manage this situation carefully, it could certainly develop into one," said Mr Shilowa, who also sits on the executive of the Communist party.

Divisions between the unions and government have steadily worsened since last December when Mr Thabo Mbeki, deputy president, announced plans to privatise three small companies and seek minority equity partners for others.

The unions complained they had not been consulted and forced the government to modify its plans. But President Nelson Mandela has since insisted the government will go ahead with the policy.

Mr Shilowa was reporting on a three-day meeting of the confederation's national executive, which was making its first formal response to the government policy document on "growth, employment and redistribution". Mr Trevor Manuel, finance minister, told parliament last month core elements of the policy document were not open to negotiation.

These included further cuts in the budget deficit, tight monetary policy, gradual elimination of exchange controls, privatisation and a more flexible labour market.

Mr Shilowa said the policy had been drawn up by officials from the IMF, World Bank and the South African Reserve Bank. "It is a certain recipe for disaster," he claimed. "These conservative models are not going to bring about the envisaged creation of 400,000 new jobs, or deliver the social needs of our people.

"At most, it will increase the gap between poor and rich and condemn the homeless and jobless to extremes of poverty."

Unions officials refused to speculate on what action they might take and said they intended to "engage the government in dialogue".

Mr Shilowa added the government policies did not come from within the ANC, but had emerged "from particular ministries".

There was a special onus on South Africans to invest in their own economy. "Any strategy premised solely on foreigners investing, while we fail to show confidence in ourselves, is doomed to failure." No evidence existed that foreign investors were shunning South Africa because of exchange controls.

Meridor confident on spending cuts

By Julian Ozanne in Jerusalem

Mr Dan Meridor, Israel's new finance minister, yesterday said the government was confident its package of Shk4.9bn ($1.5bn) in expenditure cuts for next year's budget would pass through parliament.

In an interview he also said the government had moved swiftly to provide a safety net for the capital market and that despite a recent equity sell-off, the government's policies would quickly resuscitate the investment climate.

"We have moved swiftly to carry out important reforms to cut the budget and cut inflation and this is just the beginning. Nobody could of expected more from a government coming into power," he said.

Mr Meridor said the government had inherited a difficult situation of widening budget and balance of payments deficits and had acted to cut expenditure.

He said criticism that a Shk350m expenditure cut from the 1996 budget was too small was unfounded because most of the expenditure had already been committed by the previous administration.

Furthermore, an immediate freeze on public sector hiring would effectively cut the public sector work force by 2 per cent by the end of this year.

"Investors have taken note that we are serious about reducing the size of government and reducing the budget deficit," he said.

A recent crisis in the financial markets, caused by high interest rates of above 17 per cent and massive ongoing huge redemptions from investment funds, was a short-term phenomenon which would be solved when interest rates begin to fall with inflationary expectations, he said.

Figures released yesterday by the central bank showed M1 money supply rose only 0.1 per cent in June (5.5 per cent for the first six months), confirming a decline in inflationary expectations and raising prospects for a minor downward adjustment in rates when the central bank announces monetary policy for August next Monday.

"We have established a committee to carefully watch over the problems in the capital market and we are determined to make the market alive and kicking as a major source of finance and investment," Mr Meridor said.

Investors' fears that the government would have difficulty passing the Shk4.9bn expenditure cut through parliament were unfounded, he said. Although there were disagreements between coalition partners over where to cut expenditure, there was consensus on the overall size of the cut, he said.

"Cutting the budget is just the beginning. We want to open the economy faster and end the protection of goods and services... We don't believe that government can manage business."

Mr Meridor said the $140m investment by Nestlé in Osem, an Israeli food manufacturer and distributor, announced on Sunday, was a mark of continuing confidence by international investors in the Israeli economy.

"The potential of the Israeli economy is great and the peace process, despite doomsday speculation by journalists, is continuing... In the long term Israel will be a very good place to invest in."

Nigeria taxes exporters in its quest for missing oil millions

Paul Adams reports on a costly new cargo inspection scheme

When an oil tanker moors at one of Nigeria's eight export terminals, it is checked by navy and customs officials. Before, during and after the 24 to 36 hours it takes to load by pipeline, a separate team of inspectors from the oil ministry measures the quantity, temperature, water content and specific gravity of the oil in the storage tanks. When all the inspectors have reconciled their figures, the data are used for the bill of lading, which is despatched to the ship before sailing. If the ship's own readings vary by 0.5 per cent or more from the bill of lading, the captain will protest.

Yet Nigeria's military government claims that every day 150,000 barrels of oil slip through this net.

So yesterday it issued a decree establishing a new inspection scheme that will be paid for by a tax on exports, both oil and non-oil.

Exporters say the scheme is unnecessary, wasteful, costly and suspicious. That much oil could never get through the system, they say.

What irks them most is that the cost of the new system will be met by a levy of 1 per cent of shipment value for non-oil commodities and 0.15 per cent of oil. The big six operators, Shell, Mobil, Chevron, Elf, Agip and Texaco, which produce Nigeria's oil in joint ventures with Nigerian National Petroleum Corporation, have written to Mr Anthony Ani, the Nigerian finance minister, asking for the levy to be dropped.

Mr Bryan Robinson, the head of Robinson International, a UK-based petroleum inspector, which expects to carry out most of the oil export inspection, says that the inspection scheme is necessary to prevent exporters from under-declaring their cargoes.

"It is called topping-up and oil traders in Rotterdam say that it is common with Nigerian crude," he says.

For that to happen, however, everyone in the existing chain of inspection would have to look the other way.

"If Robinson and Co can find a missing 150,000 barrels a day," says an oil shipper, "then there is a problem worldwide because we use the American Standards of Measurement" – the inspection process used just about everywhere.

The government's missing oil claim is based on an unpublished report by a state panel of inquiry in 1994 that said up to 7 per cent of Nigeria's official oil production had been disappearing. This is a serious charge in a country where crude oil provides more than 90 per cent of export earnings and about 80 per cent of government revenue.

However, central bank records and the national budget show the government is receiving full revenue – about $7bn forecast this year – from Nigeria's 2m barrels a day output. If the government's claim of illegal exports is correct, they could only come from surplus production, which would mean that Nigeria was heavily exceeding its quota set by the Organisation of Petroleum Exporting Countries.

This is difficult to verify since the NNPC, which owns 57 per cent of the oil, does not produce a set of accounts and there is no record of the prices at which NNPC markets its share of the oil exports through middlemen.

"The government alleges that it is losing all this oil, but I don't believe it," says an official of the Department of Petroleum Resources. "I think this new inspection scheme is a big waste of money, but what can we do?"

There is also criticism from public sector oil officials of the choice of the two foreign-based inspection companies. Neither Robinson International nor Global Inspection Services, previously registered in Paris and with no known inspection record in Nigeria, had offices or staff in Nigeria capable of carrying out the work when they were awarded their contracts. And neither company is a member of the International Federation of Inspection Agents. Furthermore, some more established inspection agents have already been approached to do some of their work on a sub-contractor basis.

Robinson International says that the oil inspection contract is the largest of its kind in the world, although the exact value of the contract and the identity of the majority Nigerian shareholders are not disclosed.

Most of the new levy – $15m a year based on the government's forecast for the oil industry in 1996 – will come from the oil producers but the scheme will hit harder in the small non-oil sector where exporters are struggling to stay competitive with inflation estimated at around 50 per cent and a firm exchange rate for the naira.

"Pre-shipment inspection is already done by the importer, so government imposing this inspection does not help with quality control, it just takes 1 per cent off Nigerian companies' profits," says an association for non-oil exporters in Lagos.

INTERNATIONAL NEWS DIGEST

Hopes rise as Arafat sees Levy

Palestinian President Yassir Arafat is to meet Mr David Levy, Israel's foreign minister, today, in a meeting which the PLO hopes will put the peace process back on track.

Mr Arafat wants his talks with Mr Levy to lead to a summit with Israeli Prime Minister Benjamin Netanyahu, said a PLO official.

Peace talks between the PLO and Israel have been suspended since the May election of Mr Netanyahu, whose opposition to trading land for peace has alarmed Arab leaders. "We expect the meeting to lead to resumption of high-level contacts and to peace talks suspended since Netanyahu's election," the official said, but Israeli officials refused to comment on the meeting.

PLO officials said they were aware that Israeli security concerns were the main theme in the Likud leader's election campaign, following suicide bombings by Moslem militants opposed to the peace process which killed scores of Israelis.

"Security of Israel can't be the basis of the peace process, it is the outcome of peace," an official said. *Reuter, Jerusalem*

Detainee swap inspires plan

Israel and the Hizbollah guerrillas of Lebanon plan to resolve the "detainee" issue after Sunday's successful conclusion of their first prisoner swap in 10 years.

Of the six Israeli servicemen who went missing in south Lebanon between 1982 and 1986, the Jerusalem government believes that the air pilot Mr Ron Arad is still alive.

Mr Arad was initially captured in 1986, but Hizbollah claims he went missing a short time later. Hizbollah announced yesterday in Beirut that it would "seek information" about him to continue negotiations with Israel, and secure the release of the 230 Lebanese prisoners still being held.

Israel refused to release senior Hizbollah cleric Sheikh Abdel Karim Obeid, and Mustapha Dirani – head of a small Islamic faction, in Sunday's trade, holding on to them in anticipation of a breakthrough in the case of Mr Arad.

The successful release of all prisoners from both parties to this 14-year-old conflict clears up a major obstacle to a possible Israeli withdrawal from its occupation zone in south Lebanon. *Sean Evers, Cairo*

Prisoners freed in Niger

Niger yesterday freed dozens of detained opposition supporters after the Supreme Court confirmed General Ibrahim Bare Mainassara's election victory, but his four poll opponents remained under house arrest.

Interior Minister Idi Ango Omar said Gen Mainassara would meet each of his four election opponents during the day and they could be released from house arrest soon.

Most of the detainees were arrested during protests in Niamey and the second city of Zinder following the chaotic July 7 and 8 presidential election.

On July 8, Mr Mainassara dissolved the electoral commission and replaced it with his own appointees. The national election observatory, a monitoring group made up of human rights groups and other organisations, denounced the conduct of the poll.

The US-based National Democratic Institute, which had been providing technical support and training local election observers, pulled out saying the conduct of the poll was "so flawed that it represents a major setback to the democratisation process in Niger".

In a broadcast to the nation on Sunday night, Gen Mainassara invited his opponents to unite with him to rebuild the nation. *Reuter, Niamey*

Bank of China hits at Moody's ratings

By John Ridding in Hong Kong

The Bank of China yesterday reacted angrily to a report by Moody's, the US credit rating agency, placing its 11 Hong Kong-based affiliates near the bottom end of investment grade ratings.

Calling the Moody's report "unfair and not objective," the Hong Kong and Macao office of the Bank of China said the ratings were received "with regret". Its so-called sister banks were sound, with solid capital bases and strong credit worthiness, it added.

The riposte marked the latest clash between China's banks and Moody's. Last year, the US agency downgraded China's four main banks, prompting the Bank of China to shelve a HK$5bn ($646.8m) issue for its Hong Kong branch.

In its first assessment of the bank's 11 Hong Kong affiliates, Moody's gave ratings of Baa2/Prime 3 for long-term and short-term foreign currency deposits and financial strength ratings of between C and D.

Mr Edward Young, managing director of Moody's for the Asia Pacific region, said the ratings were in the middle of the lowest investment grade range and among the lowest for Hong Kong banks rated by the agency.

Acknowledging the institutions had generally solid financial fundamentals, Moody's said the ratings reflected their close relationship with the Bank of China and an expectation that their operations in Hong Kong and on the mainland would be increasingly integrated with the territory's return to China next year.

"The implication is that capital could be reduced or diverted by head office in China," one Hong Kong banking analyst said.

For the seven banks incorporated in China, the report also criticised "very poor" standards of transparency and disclosure. The assessment was brighter for the four Hong Kong-incorporated affiliates, which had "qualitatively better" standards of disclosure.

Two of the banks, Po Sang Bank and Nanyang Commercial Bank, were given C grades for financial strength, comparable with some of large commercial banks in Hong Kong.

Banking analysts said they had little concern about the health of the mainland-backed banks in Hong Kong. The Hong Kong Monetary Authority, which supervises the industry, said it did not comment on specific institutions, but the banking sector was "sound and stable".

"I would be surprised if there were credit-related concerns in the Hong Kong franchises of the Bank of China group," said Mr Andrew Brown, analyst at Salomon Bros.

Moody's says the Bank of China group has a market share of about 25 per cent of retail deposits in Hong Kong. Mainland banks are a significant lender to local businesses, to infrastructure projects and to trade finance.

Bank of China HK affiliates: Moody's ratings

	Long-term and short-term foreign currency deposits	Bank financial strength
China State Bank	Baa2/P-3	D
China & South Sea Bank	Baa2/P-3	D
Chiyu Banking Corporation*	Baa2/P-3	D+
Hua Chiao Commercial Bank*	Baa2/P-3	D+
Kincheng Banking Corporation	Baa2/P-3	D
Kwangtung Provincial Bank	Baa2/P-3	D
Nanyang Commercial Bank*	Baa2/P-3	C
National Commercial Bank	Baa2/P-3	D
Po Sang Bank*	Baa2/P-3	C
Sin Hua Bank	Baa2/P-3	D
Yien Yieh Commercial Bank	Baa2/P-3	D

*Incorporated in Hong Kong

EU gives way to Asean over Burma

By James Kynge in Jakarta

The European Union yesterday sought to avert a confrontation with the seven members of the Association of South East Asian Nations by dropping its objections to Burma's admission into the regional grouping.

Mr Dick Spring, president of the EU council of ministers, said Burma was "welcome" to join the Asean Regional Forum, an expanded consultative grouping including the core seven members which meets today.

His statement contrasts with several by Mr Manuel Marin, EU commissioner with responsibility for Asia, who has criticised Burma for its human rights record and lack of democracy and warned its admission as an observer to Asean "would be a problem". Burma was sworn in as an Asean observer last week.

The EU's reversal appeared to be an attempt to avoid disagreements with Asean's seven member states – Vietnam, Malaysia, Philippines, Thailand, Brunei, Indonesia and Singapore – four months after political leaders from Asia and the EU pledged mutual respect and co-operation at the inaugural Asia-Europe summit in Bangkok.

Asean officials expressed annoyance at the EU's recent comments on Burma; a few suggested in private that the EU's status as a "dialogue partner" in the regional forum should be revoked.

Both sides are reluctant to let their growing political and economic ties founder on the Burma issue. Asean's primary consideration is that Burma's admittance will help increase the region's effectiveness as a counterweight to China's growing power.

The EU does not regard the situation in Burma as grave enough to warrant an uncompromising stance which could jeopardise its ties with Asean's booming economies.

Mr Spring will, however, criticise Burma at Asean regional forum meetings this week, an EU official said. The EU is pressing Burma's military rulers to release from detention members of the National League for Democracy and enter into discussions with its leader Aung San Suu Kyi.

It also wants a full explanation of the death in prison of Mr James Leander Nichols, a businessman who had also been an honorary consul for several European states.The Burmese declined to meet an EU demand for an independent autopsy to be performed on Mr Nichols' body.

India budget disappoints seekers of faster reform

By Mark Nicholson in New Delhi

India's finance minister P. Chidambaram may have disappointed those pressing for faster reforms and opening of the economy with his first budget yesterday, but is likely to have kept most of the constituents of his fragile and sometimes fractious 13-party coalition content.

Foreign investors, who had hoped Mr Chidambaram might take long-awaited steps to opening the insurance sector to private and foreign investment, were disappointed, as were those hoping he might cut India's maximum tariff to 40 from 50 per cent. Many also expressed scepticism he would meet his target fiscal deficit for the year of 5 per cent of GDP, down from 5.9 per cent last year.

But few were surprised by the budget, given the tough political constraints on the finance minister.

Prime Minister H D Deve Gowda said the budget had been "of the poor, and the poorest of the poor and the neglected". He outlined plans to raise spending on agriculture, rural infrastructure, irrigation, fertiliser and food subsidies.

Given the predominance of regional parties in the coalition, he announced an extra Rs25bn ($702.2m) would be made available for state-government run programmes to meet basic water, health, housing and other rural needs.

His other concerns were to show convincingly that India remained "steadfast on the course of economic reforms" and committed to "fiscal prudence and macro-economic stability".

Mr Chidambaram promised three tranches of divestment of state assets before the end of the fiscal year, to earn a targeted Rs50bn, but he gave no further details. For foreign institutional investors, he announced the limit on individual FII holdings in any single Indian company would rise from 5 per cent at present, to 10 per cent.

Perhaps the greatest worry about yesterday's budget is Mr Chidambaram's ability to meet his fiscal deficit target.

The minister announced few direct cuts in expenditure to offset the slew of schemes for the poor and rural areas, announcing instead a new "high level" commission would be formed to recommend areas where government could be pruned.

Instead, he seemed to be relying on raising income from a newly announced tax to catch "zero-tax" companies, a "special surcharge" of 2 per cent on all imports to pay for needed "infrastructure" and receipts from the proposed disinvestments.

The new tax is designed to embrace the estimated 1,000 Indian companies which take advantage of numerous exemptions, on depreciation and investment, which enable them to escape paying tax at all.

ING Barings recently calculated that 65 of India's top 200 companies, averaging earnings growth of 25 per cent, fall into this bracket.

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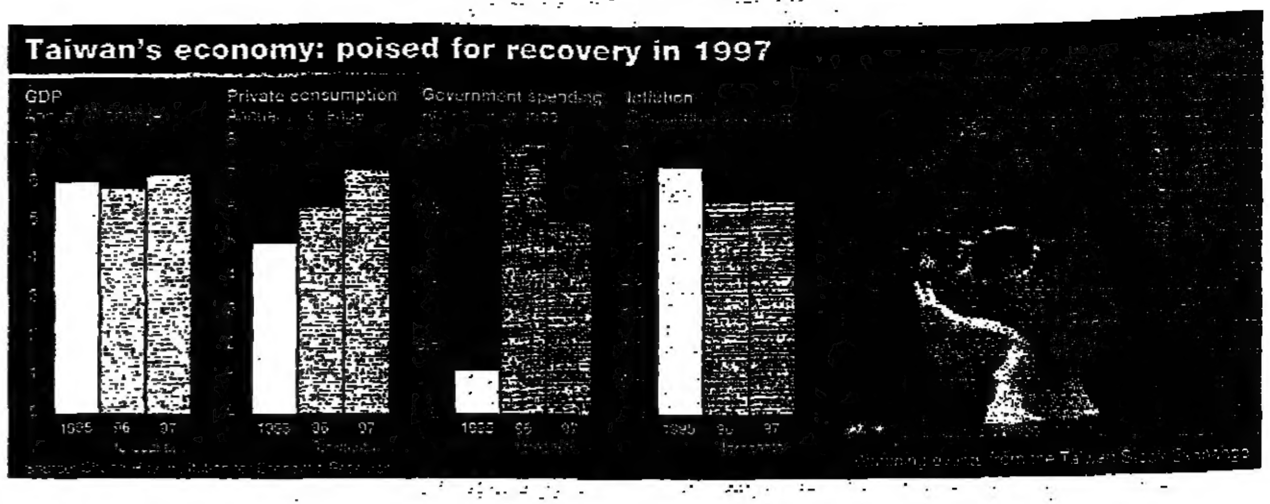


Taipei's dynamic economy runs into structural and bureaucratic problems, reports Laura Tyson

Red tape hampers Taiwan

Taiwan's biggest computer company, Acer, has US$100m tied up in a piece of land – and has been waiting seven years for the government to rezone it from agricultural to industrial use.

Mr Stan Shih, Acer's chairman, is philosophical. "A big company like Acer can afford to wait," he says. "But for smaller companies, this type of bureaucratic problem is a huge burden. How can they compete internationally?"

When exports were booming, the stock market buoyant and consumers flush with cash, no-one worried much about government efficiency. But with growth sluggish by historical standards and political clouds looming over business confidence, Taiwan's infamous red tape and legislative delays have emerged as a bottleneck to the island's economic growth.

As Taiwan's economy matures, its traditional competitive advantages are are facing stiff competition from other Asian manufacturing centres. The economy is also feeling the effects of plummeting prices in the semiconductor industry, as well as traditional industries such as petrochemicals and steel.

Fractious relations with China, an external drag on confidence, are likely to be bumpy for years to come. Exports to China, the island's fastest-growing export market in recent years have been lacklustre.

Taiwan has reached the point where it may no longer rely on the dynamism of the private sector to gloss over internal structural problems.

Democracy has made it far more difficult to skirt annoying bureaucratic regulations and to push through unpopular industrial development projects. Industrialists are united in their complaint about red tape, the huge backlog in passing much-needed revisions to anachronistic laws, and environmental protests against potentially polluting industries and nuclear power.

Mr Wang Yung-tsai, president of Formosa Plastics, recently complains about construction delays in the group's T$250bn ($9.07bn) petrochemical complex, saying government bureaucracy and environmental protests were conspiring to undermine Taiwan's competitiveness.

Industrial production fell 0.27 per cent in the first five months of this year. Exports of goods during the first half rose just 6.4 per cent, compared to 22.7 per cent in 1995. Imports of goods actually fell, by 1.0 per cent, against a 21.4 per cent jump for all of 1995.

This is in part due to a fall in luxury imports, but more importantly it signifies a worrying drop in imports of industrial raw materials, presaging continued sluggish industrial output.

The well-regarded Chung-Hua Institution for Economic Research recently lowered its 1996 forecast for GDP growth from 6.40 per cent to 5.88 per cent. The government in May forecast 6.17 per cent growth, against last year's 6.06 per cent.

"As we say, last year was 'hot outside and cool inside'; but this year is 'cool' both inside and out," said Mr Daniel Chen, chief economist at Chinatrust Commercial Bank. "After the tensions between Taiwan and China earlier this year, people expected the stock and property markets to recover, private consumption and investment to pick up and the government to push forward with its infrastructure development programme. But apart from the stock market, so far we haven't seen much improvement."

The stock market rallied in April after the island's first presidential elections in March cleared away political uncertainties, but has lately fallen off. In the long term share prices will be buoyed by Taiwan's inclusion into Morgan Stanley's benchmark stock indices, scheduled for September. Any substantial positive remarks from Beijing regarding Taiwan would also fuel stock market gains, but this looks unlikely in the near term.

Unemployment hit a record high of 2.35 per cent in May, and the rate is expected to climb during the third quarter as new graduates hit the job market. Feeling the squeeze, companies are "down-sizing" and are less willing to hire new graduates. Wage growth was just over 3 per cent during the first five months of the year, the lowest gain in decades. On the bright side, labour productivity is likely to rise, said Mr Tsou Chi, researcher at the Chung-hua Institution for Economic Research.

Relations between Taiwan and China are also holding back economic growth. They have improved since March, when Beijing held military drills in the Taiwan Strait, but remain deadlocked over the sensitive issue of unification and an early resumption of talks severed in June 1995 is seen unlikely. "We may have to wait until autumn next year before we know who is in control in China, and confidence in the the future of cross-strait relations can be restored," said Mr Chen.

Inflation has been dropping and money supply growth has been falling off, reflecting sluggish demand. Monetary policy is already quite loose so the government is limited in its room to use monetary measures to stimulate the economy. The best way to boost the economy, said Mr Chen, is to speed up implementation of long-delayed infrastructure projects. In 1995, just 35 per cent of funds budgeted for public construction were actually used.

China is expected to react angrily to a strongly-worded European Parliament resolution calling for a greater role for Taiwan in UN activities, report Peter Montagnon in London and Neil Buckley in Brussels.

Passed without fanfare at the end of last week, the resolution calls on European governments to urge the UN to set up a working party to study the scope for Taiwan to participate in UN institutions.

The resolution regrets Taiwan is prevented from making a full contribution to the UN and says its participation would be "desirable and valuable".

It thus flies in the face of China's bitter opposition to Taiwan's campaign for UN recognition, which Beijing regards as a confirmation of Taiwan's ambition to establish formal independence from the mainland.

The resolution, passed by a show of hands under the European parliament's Rule 47, is not binding and China has ignored several similar resolutions on human rights this year. But a recent German parliamentary motion on Tibet caused a marked deterioration in its relations with Bonn, and the Taiwan issue is, if anything, more sensitive.

China, which regards Taiwan as a rebel province, has said on several occasions Taipei must drop its campaign for UN membership as a precondition for better relations with the mainland. It habitually protests vehemently when other countries show signs of sympathy towards Taiwan.

Though the resolution falls short of calling for full recognition of Taiwan, its tone is unambiguously supportive.

It calls on Europe to support Taiwan's efforts to secure better representation in international organisation in human and labour rights, economic affairs, the environment and development co-operation, and says the European Commission should establish an information office in Taipei.

It is important for the EU and its member states to develop relations with the governments of China and Taiwan, "in an amicable and constructive spirit," the resolution says.

Filipinos denouncing the government attack riot police as President Ramos prepares to deliver his state of the nation address Reuter

Rapid rise in export earnings boosts Philippines surplus

By Edward Luce in Manila

Rapid exports growth and higher than expected remittances from overseas workers boosted the Philippine balance of payments surplus more than tenfold in the first six months of 1996 to its highest level ever.

Philippine economists said the country's overall balance of payments, including current account and capital account flows, had risen from $230m in the first half of 1995 to $2.5bn in the first half of 1996, exceeding this year's annual target halfway through the year.

In the first six months of this year, the country's gross international reserves grew to $10.5bn, or more than three months' worth of imports – another record, according to figures released yesterday.

"This is not a one-off," said Mr Diwa Guinigundo, chief economist at the Philippine central bank.

With exports, led mainly by electronics and garments, growing by over 20 per cent so far this year, and remittances from an estimated 4m overseas workers expected to top the $4.9bn recorded in 1995, officials say the trend is likely to continue.

Improved fundamentals, including inflation, which fell to below double digits last month and is expected to drop to 6 per cent by December, should help further boost the economy.

The government conceded that some of the steep increase in the surplus could be attributed to the reversal of the sudden capital outflows seen during the first quarter of 1995.

These came in the wake of falling confidence in emerging markets after the Mexican devaluation crisis and the collapse of Barings Bank in Singapore. But the resurgence of portfolio inflows has also been matched by higher foreign direct investments.

In his annual state of the nation address to both houses of congress yesterday, President Fidel Ramos said the Philippines should build on its restored international competitiveness by boosting the country's savings rate and enacting vital tax reforms.

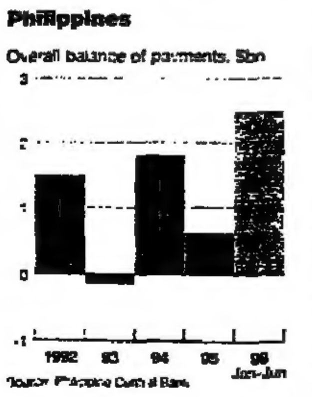
Mr Ramos, who unveiled plans for a national provident fund scheme to boost domestic savings, said there was an "urgent need to generate more internal savings".

At 19 per cent of gross domestic product, the Philippines' savings rate was still well below the 30 per cent average in east Asia.

● The Dutch government yesterday said Mr José Maria Sison, a Philippine communist leader, was being expelled because of unspecified "involvement in acts of terror", writes Gordon Cramb in Amsterdam. Mr Sison, head of the insurgent National Democratic Front, has lived since 1988 in the Netherlands, which has hosted intermittent peace talks between rebel groups and the Manila government.

Philippines

Overall balance of payments, $bn



Source: Philippine Central Bank

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−163.0	0.7623	100.0
1986	231.0	−140.6	−153.4	0.9836	81.4
1987	220.2	−131.8	−144.1	1.1541	71.9
1988	272.5	−100.2	−107.4	1.1833	67.0
1989	330.2	−99.3	−94.3	1.1017	70.0
1990	309.0	−79.3	−72.7	1.2745	66.7
1991	340.5	−53.5	−6.0	1.2391	65.7
1992	345.9	−65.2	−47.5	1.2957	64.4
1993	397.3	−96.7	−85.4	1.1705	66.3
1994	432.3	−127.0	−125.2	1.1857	65.1
1995	452.3	−122.8	−114.6	1.2928	61.2
2nd qtr.1995	110.2	−32.4	−31.1	1.3175	59.0
3rd qtr.1995	113.0	−30.5	−28.9	1.3020	61.0
4th qtr.1995	117.7	−26.9	−23.5	1.2887	62.3
1st qtr.1996	121.2	−30.6	−28.3	1.2570	63.7
June 1995	36.8	−10.7	n.a.	1.3192	59.0
July	35.5	−11.2	n.a.	1.3335	59.2
August	38.2	−9.6	n.a.	1.2954	61.3
September	39.4	−9.7	n.a.	1.2772	62.5
October	38.8	−9.2	n.a.	1.2977	61.9
November	39.0	−8.7	n.a.	1.2954	62.2
December	39.9	−9.1	n.a.	1.2758	62.7
January 1996	39.1	−11.5	n.a.	1.2634	63.6
February	41.2	−9.3	n.a.	1.2536	63.8
March	41.0	−9.8	n.a.	1.2541	63.8
April	41.6	−10.5	n.a.	1.2421	64.3
May	42.7	−11.8	n.a.	1.2282	64.8

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.6
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	168.44	143.7
1992	256.6	96.2	86.7	164.05	150.7
1993	300.4	118.6	112.5	130.31	181.0
1994	325.1	121.8	110.6	120.99	194.9
1995	331.3	101.4	85.5	121.48	204.8
2nd qtr.1995	88.4	29.1	23.9	111.31	225.3
3rd qtr.1995	82.8	25.2	23.0	122.36	203.7
4th qtr.1995	80.3	22.0	17.8	130.87	187.8
1st qtr.1996	78.6	16.9	12.2	132.92	182.0
June 1995	29.6	10.1	8.4	111.51	225.1
July	27.1	8.1	7.5	116.38	217.2
August	28.4	8.8	8.4	122.52	202.6
September	27.2	8.3	7.2	128.19	191.5
October	28.0	6.2	4.8	130.78	188.8
November	27.1	8.3	7.0	131.98	188.8
December	27.2	7.5	6.0	129.85	187.9
January 1996	25.5	5.6	4.3	133.43	182.1
February	27.1	4.3	3.4	132.49	182.1
March	26.1	7.0	4.5	132.84	181.9
April	27.2	3.9	2.7	133.12	180.7
May	29.4	6.1	4.7	130.87	183.1

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.0	22.5	2.2260	100.0
1986	248.5	53.3	41.3	2.1279	108.6
1987	254.4	56.7	40.0	2.0710	114.5
1988	272.6	61.4	41.9	2.0739	114.1
1989	310.1	65.2	52.0	2.0681	113.3
1990	323.8	51.7	38.5	2.0537	118.1
1991	327.5	11.1	−15.6	2.0460	117.1
1992	330.9	18.8	−16.6	2.0187	120.6
1993	325.2	30.6	−13.9	1.9337	125.3
1994	360.0	37.0	−17.9	1.9198	125.6
1995	395.0	49.1	−13.5	1.8509	132.1
2nd qtr.1995	99.3	11.9	−0.7	1.8402	133.3
3rd qtr.1995	99.5	12.2	−6.6	1.8624	131.7
4th qtr.1995	100.7	12.9	−4.1	1.8385	132.3
1st qtr.1996	100.2	13.3	−2.5	1.8455	130.6
June 1995	34.0	3.6	0.3	1.8465	132.7
July	32.7	3.8	−3.1	1.8511	133.0
August	32.2	4.1	−2.5	1.8705	131.1
September	34.6	4.4	−1.1	1.8656	131.1
October	33.5	4.0	−2.5	1.8357	132.9
November	33.7	6.3	0.2	1.8363	132.4
December	33.8	3.6	−1.9	1.8374	131.6
January 1996	33.4	3.4	−2.1	1.8460	131.0
February	33.6	6.2	0.4	1.8377	130.8
March	33.2	4.7	−0.6	1.8528	130.1
April	33.4			1.8715	129.0
May				1.8827	127.7

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.7	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	−4.6	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.9	−6.3	−3.6	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.8
1991	175.4	−4.2	−4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	13.3	8.0	6.6261	109.1
1994	198.8	12.9	5.4	6.5859	110.1
1995	222.1	16.2	12.6	6.4460	113.4
2nd qtr.1995	55.8	4.3	4.1	6.4602	113.2
3rd qtr.1995	55.2	3.2	0.9	6.4363	114.0
4th qtr.1995	56.1	4.3	2.4	6.3560	114.3
1st qtr.1996	57.7	4.6	5.4	6.3281	113.9
June 1995	18.7	1.4	1.5	6.4816	113.1
July	18.0	0.8	−0.1	6.4424	114.3
August	18.6	1.3	0.7	6.4322	114.1
September	18.6	1.2	0.4	6.4344	113.7
October	18.5	1.2	0.6	6.4104	113.8
November	18.9	2.0	1.4	6.3308	114.8
December	18.7	1.2	0.4	6.3260	114.4
January 1996	19.1	1.2	2.1	6.3221	114.4
February	18.7	1.5	1.7	6.3189	113.7
March	19.8	1.9	1.6	6.3434	113.7
April	18.4	0.6	0.3	6.3489	113.9
May				6.3707	113.3

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.1
1988	108.3	−8.9	−8.0	1536.8	97.7
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.9	−8.0	−21.5	1591.5	95.6
1993	144.3	17.9	9.7	1836.7	80.5
1994	160.1	18.6	13.1	1909.6	77.0
1995	177.3	21.1	20.1	2108.4	69.4
2nd qtr.1995	44.5	5.0	5.9	2198.2	68.4
3rd qtr.1995	43.5	7.1	7.1	2098.4	70.0
4th qtr.1995	47.9	6.0	5.0	2061.0	70.4
1st qtr.1996	47.8	4.8	−1.2	1976.7	73.2
June 1995	16.4	1.8	2.4	2161.4	67.5
July	16.4	3.5	2.9	2146.5	68.3
August	11.3	2.0	2.2	2080.2	70.6
September	15.6	1.6	2.0	2062.6	71.0
October	16.4	2.1	2.1	2064.7	69.8
November	16.3	2.0	1.0	2064.9	70.3
December	15.2	1.9	2.0	2033.8	71.1
January 1996	13.6	0.1	−1.1	2001.4	72.4
February	16.2	2.1	1.2	1969.6	73.3
March	17.8	2.7	−1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May			4.0	1912.3	76.2

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−16.4	−6.8	0.7047	89.3
1988	120.8	−32.3	−24.8	0.6643	94.7
1989	137.0	−36.7	−33.3	0.6728	91.9
1990	142.3	−26.3	−26.2	0.7150	89.8
1991	147.7	−14.7	−11.4	0.7002	90.5
1992	145.9	−17.8	−13.8	0.7359	87.1
1993	156.0	−17.2	−13.8	0.7780	79.9
1994	174.1	−14.0	−3.1	0.7736	80.1
1995	186.0	−14.2	−3.5	0.8190	76.2
2nd qtr.1995	45.1	−4.0	−1.2	0.8253	75.7
3rd qtr.1995	46.8	−4.3	−1.3	0.8268	75.7
4th qtr.1995	47.4	−3.9	−1.5	0.8267	75.0
1st qtr.1996	49.2	−4.3	−1.3	0.8208	75.0
June 1995	15.3	−1.2	n.a.	0.8271	75.5
July	15.1	−1.2	n.a.	0.8359	75.1
August	15.6	−1.4	n.a.	0.8261	75.8
September	16.1	−1.5	n.a.	0.8183	76.2
October	15.4	−2.0	n.a.	0.8224	75.7
November	16.3	−0.6	n.a.	0.8291	74.8
December	15.7	−1.3	n.a.	0.8285	74.5
January 1996	16.0	−1.7	n.a.	0.8254	74.8
February	16.4	−1.6	n.a.	0.8159	75.3
March	16.8	−0.9	n.a.	0.8212	75.0
April	16.9	−1.6	n.a.	0.8201	75.2
May			n.a.	0.8106	[illegible]

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

US steps up search for TWA wreckage

By Nancy Dunne in Washington and Jimmy Burns in London

The US Coast Guard yesterday intensified its search for debris and bodies from last week's crash of a TWA jetliner after days of frustration due to bad weather.

Officials said yesterday the flat seas and excellent visibility gave them the best chance to gather up wreckage since the aircraft exploded.

Coast Guard aircraft were able to identify large concentrations of debris in the 17,500 square miles of the search.

President Bill Clinton, who has been criticised for failing to go to New York to comfort the grieving families, yesterday said he had ordered a speedier investigation.

On a three-day campaign swing through the West, Mr Clinton told cheering voters in Denver that the administration was "working hard to get to the bottom of this".

The White House said the president had not gone to New York because of concern that his presence, requiring heavy security, would hamper the search.

The investigation into Wednesday night's crash off Long Island, in which 230 people died, has been plagued by problems.

One discovery, thought to be a large piece of the aircraft, was lost by the search vessel which found it because it lacked "precise navigation aids".

"It's a big ocean out there," said Mr Robert Francis, vice chairman of the National Transportation Safety Board.

Officials said they had not recovered the two "black boxes", which record voice and data transmissions. Searchers were unable to pick up the boxes' sonic signals, raising fears they were buried in the ocean floor or under tons of wreckage.

Safety board officials continued to insist that they had not determined whether the aircraft was downed by a bomb, a missile or equipment failure.

Mr James Kallstrom, assistant director of the Federal Bureau of Investigation, said he was frustrated by the equipment failure that kept the Navy from videotaping underwater.

"I need this forensics evidence," he said. "Because if I do have a terrorist here – I'm not saying I do – but if I do, it's another day's start that this individual has to do whatever he's doing to cover his tracks."

The US authorities' caution has done little to damp speculation that the aircraft was downed by a terrorist attack.

"It is looking more and more likely that this was caused by a bomb. It has all the hallmarks of a small explosive device designed to detonate when the plane reached a certain height," said Major John Wyatt, a British counter-terrorist specialist.

However, one senior Middle East analyst in London ruled out suggestions that a loosely connected network of fundamentalist Saudis – the Mujaheddin, or Islamic fighters – might have been responsible for downing the aircraft.

"This group can plant car bombs against American targets, but it doesn't have the technical capacity to blow up a plane in the way the TWA was," the analyst said.

Airline industry officials suggested that the US government was reluctant to make any announcement linking the disaster to terrorism without firm evidence, as there was official concern not to undermine the confidence of the public attending the Olympic Games in Atlanta.

Keeping magic in the California playground

Christopher Parkes reports on Disney's latest plans to beat back the theme park competition

If being snapped at by an 18-ton dinosaur and dumped down an 84ft water chute in the dark merely tweaks your adrenalin level, it is only a short drive from Jurassic Park – The Ride, the latest attraction at the Universal Studios Los Angeles theme park, to Six Flags Magic Mountain.

Once aboard Superman – The Escape in Time Warner's fun palace, you can "enjoy" 6.5 seconds of weightlessness and in the half-minute trip up and (backwards) down a 415ft vertical steel tower aboard a six-ton trolley.

With the help of moviedom's hydraulic Animatronics and electromagnetic propulsion from the defence industry, the attractions in California's amusement centres have been cranked up for the new season to new peaks of excitement – and expense.

The Jurassic Park ride, opened a month ago, drew $110m out of the MCA group's purse, and is now drawing record crowds prepared to wait an hour and more for a thrill.

So how does dignified Disney respond? Last week it unveiled plans to build a $1.4bn pleasuredrome in the car park of Anaheim's Disneyland, 90 minutes away on a good freeway day. Disney's California Adventure, a shadow of original plans to build a west coast version of its Epcot attraction in Florida, is due to open in 2001.

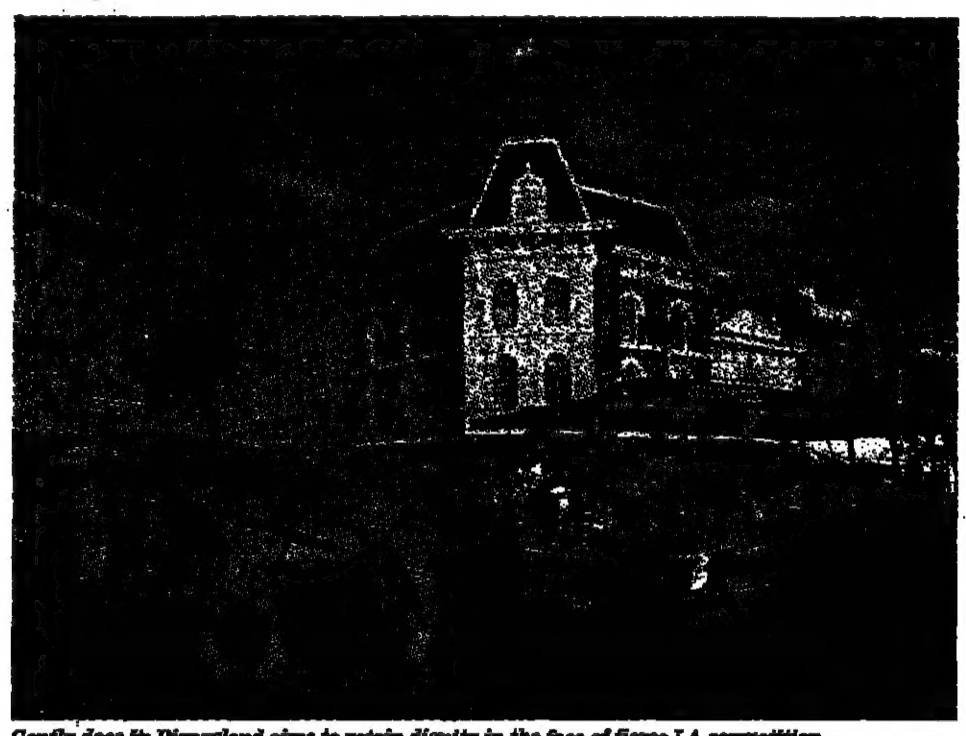
Mr Paul Pressler, Disneyland president, promised to waft visitors aboard "hang-gliders" above mock-ups of California's geological glories. Shooting the artificial rapids will also be on offer, as will "a perfect day at the beach" – although Anaheim, an uninteresting LA suburb, is miles from the sea.

There will also be "edutainment", with working studios and animation exhibits. Linking the two parks, the company plans a shopping, eating and entertainment mall – all in Disney style – and at least one luxury hotel.

The attractions appear tame in comparison with the ever wilder rides offered elsewhere in the California playground. Even Long Beach offers a 21-storey bungee jump for $85 a leap. But the new park represents a canny, if belated, bid to build on the success of the 41-year-old Disneyland and beat off the mounting competition.

Although attendance figures are among the most coveted of Disney's many secrets, an estimated 14m people currently visit Disneyland each year, making it the top paid-for attraction in the state. They crowd overnight into the company's hotels – and the untidy clutter of cheaper accommodation which has sprung up to feed off the parks' success.

Even now, queues start forming outside to rush to its Magic Mountain and the latest boneshaker, the Indiana Jones Adventure, an hour before the 8am opening time.



Gently does it: Disneyland aims to retain dignity in the face of fierce LA competition

California Adventure is a project intended to convert the group's most venerable property into a 300-acre "destination resort", where trippers come to stay, rather than a stopover on the road to San Diego Zoo.

The local city authority is to spend $550m of hotel tax revenues, funds raised by a bond issue guaranteed by Disney, and unspecified volumes of company money to refurbish the park's tatty surroundings and the local convention centre. Immediately adjoining the extended Disney fiefdom, the convention centre is expected to grow into an even more important source of customers for the parks.

Promoting its plan among the Anaheim locals, some of whom are uncertain about the rectitude of "subsidising" Disneydom with public funds, city authorities claim the project would generate $1.4bn in annual economic activity and 14,500 jobs.

And although Disney is silent as usual on its financial expectations, independently calculated tax projections suggest $70m dollars a year will flow into the civic purse.

Since Disneyland is destined to remain the anchor of the site, analysts approve the strategy to target the California Adventure at its core market among middle income families with children rather than the more robust types who favour Universal Studios, for example.

It may not be long before a response, probably from Universal, which is expected to enlarge in October on its ambitions to expand this branch of its activities at home and abroad. The MCA subsidiary is already seeking to upstage Disney's 13-year-old park near Tokyo with a $1.6bn site under construction in Osaka.

Given the apparently eternal popularity of Disneyland, its latest plans appear to entail only modest risks. But the rule that risk mounts as stakes rise remains in force, even in the Magic Kingdom. As the sign at the Long Beach's bungee jump says: "Don't chicken out: once you are up the tower you will be charged whether you jump or not."

Samper strives to rebuild his credibility

By Sarita Kendall in Bogotá

President Ernesto Samper of Colombia has presented a series of constitutional and legislative reforms to Congress covering some of the weaknesses in laws dealing with drug-linked crimes.

However, the reforms, unveiled at the start of parliamentary sessions at the weekend, made no mention of extradition, which has become crucial in deteriorating relations between Colombia and the US.

Speaking to the Liberal-dominated Congress for the first time since the lower house voted to drop charges related to drug funding of his 1994 presidential campaign, Mr Samper called for unity and reconciliation.

He made a bitter reference to the withdrawal of his visa by the US government this month because of the drug funding allegations, and outlined a number of measures in a bid to restore his domestic credibility.

The cancellation of Mr Samper's visa has led to renewed calls for his resignation, echoed for the first time by the main Liberal daily, El Tiempo.

Mr Alfonso Lopez Michelsen, former Liberal party president, suggested in a column on Sunday that Mr Samper would be able to step down with dignity once he had seen the constitutional reforms through, and thus made his mark in history.

Drug-related reforms presented by the president include changes to the plea-bargaining system to reduce benefits, and the introduction of 30-year sentences for crimes connected to drug cartels and kidnapping gangs. Mr Jorge Luis Ochoa, a leader of the Medellín cartel, left jail recently after serving a little over five years for drug trafficking, and Colombia's short sentences have been heavily criticised.

There will be "no quarter in this fight against organised crime", said Mr Samper, promising to show the world that Colombia is determined to fight drugs. Another proposal covers the confiscation of assets derived from trafficking, extortion and similar crimes, which amount to nearly $500m (£320m) a year.

Last week the country's constitutional court ruled that "illegal enrichment" is a crime in itself, not dependent on a previous trafficking conviction. This means the prosecutor-general's cases against at least 10 members of Congress, the comptroller general and the attorney general can now go ahead.

Although the government has not put forward any change to the constitutional ban on the extradition of Colombians, US pressure has forced Mr Samper to declare the subject open for debate. Most Colombians associate extradition with the 1989-90 bombing and assassination campaign mounted by the drug cartels. Top drug players fought hard against the prospect of extradition to the US.

A recent communiqué signed by "the extraditables" has played on public fears, threatening a return to the campaign of violence.

On the economy, Mr Samper said Colombia's economic growth had decelerated because of high interest rates, the collapse of the construction boom and the costs of combating drugs.

An austerity plan to reduce the fiscal deficit, estimated at 3.5 per cent of GDP, will be introduced shortly and includes the merging or abolition of some public bodies, measures on pensions and a slowdown in financial transfers to local government authorities. A one-off war tax will help finance the war against leftist guerrillas.

Another proposed constitutional reform would give greater protection to foreign investors. Some authorities have questioned the legality of bilateral investment agreements which clash with a constitutional clause allowing property to be expropriated by the administration.

Savannah sailors face stormy weather

With hurricanes, heavy rain and now what games organisers call "dangerous heat", Savannah is proving to be a venue from hell for the Olympic sailors.

Even before yesterday's first races, the Georgia seaside town had dished up a varied and unpleasant climatic selection.

Ten days ago, Hurricane Bertha ripped through the area. Winds of 120mph meant the Day Marina – where the racing will begin today around a vast 150,000 sq ft platform of barges that provides an temporary harbour on the open sea – had to have hundreds of yachts moved off it and support staff evacuated 12 miles to Savannah.

On Saturday night, the yachties held their own opening ceremony. (Atlanta is 250 miles away, so only a few made it to the real shindig there.) As Walter Cronkite, the former US newsreader, declared the regatta open, a thunderstorm arrived and the heavens opened.

The Irish sailors had the painted-on shamrocks washed off their faces by the rain. Thousands of competitors and guests sheltered beneath stages and under lighting trucks.

The next day, Sunday, was scheduled for the official practice races. After waiting three hours for a drifting flat calm, the Star and Finn class yachts got away. Within seconds the wind had gusted from 5 knots to 30-plus as a huge squall surged across Wassaw Sound.

Officials abandoned the race as boats spun out of control and struggled to drop their sails in the wild conditions. Several of the large Tornado class catamarans capsized, unusual for the stable boats.

"It was kind of a waste of a day. We drifted around for hours then took our sails down when we got scared," said Rod Davis, an Olympic gold medallist in the Soling class now sailing in the two-man Star class for New Zealand. "When we got really scared we put our life-jackets on."

By the start of yesterday's racing regatta, officials had issued a "dangerous heat" warning to competitors, cautioning that on the water, temperatures could reach 105°F.

Meanwhile in Atlanta, despite the doomster predictions, the weather remains relatively cool and showery, with little sign of athletes or horses being distressed.

Keith Wheatley

Japanese hail soccer miracle

Children with the Japanese flag drawn on their bare chests danced around the streets of Tokyo's suburbs, while in front of a large screen in Shinjuku, central Tokyo, crowds gathered to celebrate Japan's stunning win over Brazil in the Olympic soccer competition in Miami.

The 1-0 victory could have been the gold medal itself, as the Japanese media rejoiced in the unexpected triumph over the world champion Brazilians by a team given odds of 200-1 to make the finals. "A miracle victory," declared the tabloid Evening Fuji, while the evening edition of the Yomiuri Shimbun proclaimed it was an historical accomplishment and "a gift from the gods".

Brazilian papers, by contrast, proclaimed a national day of mourning. "Shame for Americans to see," the Rio de Janeiro daily O Globo said. "Brazil was a fiasco," said O Dia, calling the outcome "one of the greatest upsets of the century".

The victory is all the more remarkable to a Japanese audience, because of the country's collective respect for Brazilian football quality. In Japan, there is an almost semi-spiritual adoration of the ultimate: in overcoats, the Burberry; in fruit, the perfect melon; and in football, Brazil.

The Brazilians were still confident of winning gold, saying Japan were only lucky and not necessarily

An Evening Fuji headline acclaims the 1-0 'miracle victory'

better. The Japanese players agreed luck was on their side and did not forget the group ethos.

"Ninety-nine per cent of it was my teammates setting me up," said Teruyoshi Ito, the midfielder who scored the winning goal 72 minutes into the game.

The achievement is a relief to the coaches of Japan's under-23 Olympic team, who firmly refused calls from forces in the Japanese soccer association to include three extra players over 23, allowed under Olympic rules; unlike the Brazilians, who included three of their older stars. The coaches had insisted on keeping the same team together to maintain the teamwork which helped the Japanese team qualify for the Olympic games for the first time in 28 years.

The "miracle of Miami", as one daily called it, could be a catalyst in boosting the faltering popularity of professional soccer in Japan. Though soccer was a national obsession in 1993 when the professional J-League was launched, overall support has since lost steam and attendance at J-League games has been on the decline.

● Japan plays Nigeria today.

Emiko Terazono

Hockey's hit-man feints and fires

Keith Wheatley on Britain's Calum Giles, the only penalty specialist at the Games

Calum Giles sits on in the sidelines relaxing, eyes half-closed. The white bandana securing his long blond hair gives the British hockey player a laid-back air. But his opponents should not be fooled: Giles is a hit-man, a gunslinger with only one role.

Like a specialist kicker in American football or a pinch-hitter in baseball, Giles only comes on the pitch for a specialist role, when his team is awarded a penalty corner. The ball is flicked out from the corner to the waiting setter, who stops the ball for Giles, with a flick of his wrists, to smash into the opposing goal.

Giles may play for only 90 seconds in an average 90-minute match, but his capacity to score in the often low-scoring sport is devastating. Like most gunfighters, he cannot afford to miss: against South Korea his strike-rate was two goals in three attempts, in a match that ended in a 2-2 draw.

"Calum drag-flicks the ball harder and faster than most of us can hit it on the run. It's incredible," said team-mate John Shaw. During training sessions team manager David Whittle used a radar timing device to clock a Giles shot at nearly 70mph.

It must have felt like that to South Korean defender Jong-Ha Jeon, who was given the mission of trying to charge down the second penalty attempt from hockey's answer to Clint Eastwood. The ball caught him in the abdomen and he fell writhing to the pitch. "If he wants to run down the barrel of the gun that's up to him. It's not a safe place to be," said the ultra-cool Giles after the match.

Britain is the only team to use a specialist penalty hitter at the Olympics, something that has only been allowed since international hockey changed its rules two years ago to permit rolling substitutions from a squad of 16 players. But its rivals are watching the tactic carefully.

Giles is happy to admit that without this role he would be unlikely to make the national squad, being a workmanlike utility forward. However, his explosive hitting requires plenty of hard work: during the Olympics he hits 300 balls a day in practice. Variety and deception are his goals; feinting one way, firing the other, and being able to hit either corner of the goal with equal ease.

Technology is also important. During each match, coaches video and analyse the opposition's defensive response to each penalty corner. The positions and movements of the defenders are then relayed to the bench for the super substitute Giles to take counter-measures at

Calum Giles celebrates one of his goals against South Korea *Allsport*

his next set-piece.

"We know there are countries who are unhappy with what we're doing but it is 100 per cent legal. We've decided to lead the way on this one and I don't think it will be long before other teams follow Britain," said Whittle.

Giles has not been the only player to make a splash in Atlanta. Water is always applied to the pitches before games to stop the hard artificial turf causing friction burns. But, partly to counter the Atlanta climate, huge quantities are being sprayed on, so that during each match a fine plume of spray follows the ball as it streaks across the pitch, and players are soaked after running and falling on the sodden surface. Some participants have complained about the quality of the pitches, but others say it makes no difference. "It looks strange but plays just normal," says Sang-Ryul Kim, South Korea's manager.

ATLANTA DIGEST

Lewis set to miss relay team

US head coach Erv Hunt yesterday virtually ruled out the possibility of Carl Lewis running in the sprint relay team, denying him a chance of winning a total of 10 gold medals in his career. "Carl is not a member of the 4x100 relay and somebody would have to get hurt, I would say five or six guys, for him to be on it," said Hunt. Lewis, 35, competing in the long jump, is going into his fourth Olympics. *Reuter*

Evans fails to make swimming final

World record holder Janet Evans, torch-bearer at the Olympic Opening Ceremony, suffered disappointment in her first Atlanta appearance when she failed to qualify for the 400 metres freestyle last night.

Evans, who handed the Olympic torch to Muhammad Ali at Friday's ceremony, finished second in her heat behind Sunday's 200 metres freestyle gold medallist Claudia Poll of Costa Rica but was left in ninth place overall. She won three medals in 1988 and one in 1992. *Reuter*

First basketball victory for Greece

Greece snatched an almost certain victory away from Brazil yesterday, as Nikos Economou scored 36 points to lead Greece to its first ever victory in men's basketball, by 89-87. Greece is making its first appearance in the sport, and took control in the final three minutes. *AP*

Results

Men's air rifle finals

1 Artem Khadzhibekov (Russia), 2 Wolfram Waibel (Austria), 3 Jean-Pierre Amat (France).

Men's 400m individual medley finals

1 Tom Dolan (US) 4:14.90, 2 Eric Namesnik (US) 4:15.25, 3 Curtis Myden (Can) 4:16.28.

Men's 4x200m freestyle relay finals

1 US (Josh Davis, Joe Hudepohl, Bradley Schumacher, Ryan Berube) 7:14.84, 2 Sweden 7:17.56, 3 Germany 7:17.71, 4 Australia 7:18.47, 5 Britain 7:18.74.

Soccer preliminary rounds

Mens: Japan 1, Brazil 0; Nigeria 1, Hungary 0; Mexico 1, Italy 0; South Korea 1, Ghana 0
Women: Germany 3, Japan 2; US 3, Denmark 0; Norway 2, Brazil 2; China 2, Sweden 0.

Softball preliminary rounds

China 6, Australia 0; US 10, Puerto Rico 0; Canada 2, Taiwan 1; Japan 3, Netherlands 0.

Selected events today:

Beach volleyball: Women's and men's preliminaries.
Shooting: Women's double trap preliminaries and final, men's 50m free pistol preliminaries and final.
Tennis: Women's and men's singles preliminaries.
Swimming preliminaries and finals: Women's 100 butterfly, men's 400m freestyle, men's 4x100m freestyle relay, men's 100m backstroke, women's 200m breaststroke.

UK to join Franco-German defence agency

£3bn project boosts arms collaboration

By Bernard Gray, Defence Correspondent

Britain has agreed with France and Germany on the development of a "battlefield taxi" to transport troops in future wars, in a programme for 3,000 vehicles that will eventually be worth £3bn ($4.68bn) to industry.

As a result of the agreement, Britain will join the nascent Franco-German arms agency, which is designed to streamline European procurement and encourage pan-European defence collaboration.

However, at the same time that the UK is increasing its commitment to the battlefield taxi, France is cutting its involvement.

Britain and Germany will hold a competition to decide by 1998 which of two consortia should win the contract to build the vehicle. But France will not participate in that early stage of the project because it has not proved possible for it to accommodate its one armour maker, Giat, on both teams without breaching commercial confidentiality. Giat has severe financial problems and needs restructuring, so other arms makers argue that its exclusion at this stage may actually be helpful.

As a result of France's exclusion, the design of the vehicle will be largely set by the Anglo-German teams, and it may be difficult to adjust the programme later to fit in Giat.

The Anglo-German consortia in the competition are the UK engineers Vickers and Alvis, which have teamed up with Thyssen of Germany, set against the German engineers Krauss Maffei, MAK/Rheinmetall and Wegman, which have combined with the UK's GKN.

Part of the rationale for the collaborative programme is that Europe has too many armoured vehicle makers – it is still producing three main battle tanks to one in the US.

The UK's decision to join means that it is eligible to become part of the Franco-German arms agency that was formally launched at the beginning of the year. The agency is likely to expand to include Italy later this year.

However, the scope of the agency and its detailed objectives have yet to be decided; so far neither France nor Germany has committed more than a handful of officials to the venture.

British Aerospace has been awarded a novel £100m ($156m) contract to service Royal Air Force Tornado aircraft in a controversial break with normal practice, where all such work is done at RAF bases, Bernard Gray writes.

BAe, together with GEC-Marconi, the defence arm of General Electric Company, and engineering group Smiths Industries, will maintain specialist equipment in the RAF's new Tornado GR4 ground attack aircraft. Placing the work outside the RAF is controversial because the RAF Logistics Command argues that it must complete the work to police the prices charged by companies for equipment.

Advantages of inward investment questioned

Analysts ask what effect an influx of overseas companies has on the health of the economy

Inward investment – a sign of an efficient, well-functioning open economy? Or a symptom of economic decline – evidence that a country is unable to survive alone?

This month's announcement by LG, the South Korean conglomerate, of its decision to build a £1.7bn ($2.65bn) electronics complex in south Wales, the biggest inward investment in Europe, raises questions about what such a huge inflow of overseas money says about the UK economy.

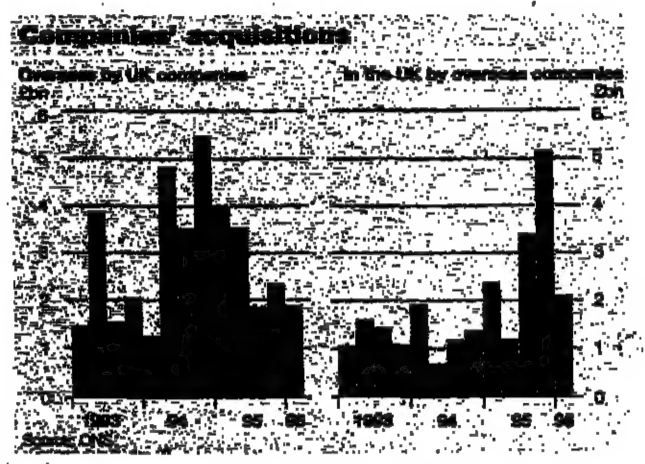
Such questions provoke heated answers which highlight two opposing views of the world.

In one view, inward investment – and, more broadly, overseas takeovers of UK companies – reflects badly on Britain. It means British companies are failing in industries where overseas businesses can succeed.

In this view, inward investment also spells trouble for the future. It implies overseas control of companies and people within the UK's own borders which may compromise the long-term health of the country. Overseas companies are seen to be benefiting at Britain's expense, generally taking away more than they add, exploiting cheap labour, and repatriating profits.

The opposing view is that inward investment creates new, relatively highly paid jobs, revitalises regional economies and industries, brings new skills and modern technologies into the UK, and provides a boost to domestic businesses which supply the overseas-owned companies. It allows regions a kick-start from which domestic companies can then take over. In this view, inward investment adds something that domestic businesses could never provide.

Parts of both these views are true. Inward investment can reflect well on an economy. Overseas companies come to Britain because of, for example, its relatively wealthy and large consumer market, its educated workforce, and its good transport infrastructure.



They go come also because of the close access the UK provides to its neighbours elsewhere within the European Union.

Inward investment can also have a beneficial impact on existing industries. Mr Michael McDermott, senior lecturer at the University of Strathclyde and author of a report on Korean investment in Europe, points out that fears the arrival of Japanese investment in the UK car industry would drive out other companies such as Ford and General Motors proved to be misplaced. Instead, these companies increased their commitment to the UK as the Japanese presence led to infrastructure and supply base improvements.

But a point more in dispute is whether the low wages and low social costs the country offers to potential inward investors are a benefit or a disadvantage.

Companies find the UK attractive because of its less regulated and more flexible workforce and often generally lower wage levels. This is good news for productivity and the economy's competitiveness. But it is less good if you are the worker being paid a low wage and being forced to accept uncertain short-term and part-time contracts.

Mr McDermott says there is evidence that inward investors are tending to employ predominantly young women, who receive low wages. This is particularly true among the South Korean investors who typically locate in areas of high unemployment where the labour force is especially malleable.

Inward investors have also come in for criticism regarding the modern labour practices that they have introduced.

A recent study of the Nissan car factory in the north-east of England by Ms Judith Thompson and Mr Robert Rehder, two US academics, concludes that the new working practices introduced there have put employees under enormous levels of stress as "workaholism" and job insecurity have increased.

Another criticism of inward investment is that it could mean that Britain simply becomes a "branch" economy. In other words, it could mean that subsidiaries based in the UK might take a back seat and be scaled down or closed completely if declining demand forced a company to withdraw resources to its headquarters overseas.

According to Mr Anthony Ross, director in the north and north-east for 3i, the venture capital group: "Inward investors have provided a role model, a quick fix, an influx of capital and jobs to this area, but we cannot rely on them to take the economy forward." There is now a need for more locally controlled businesses, he says.

But perhaps the biggest criticism of inward investment is the large subsidies paid by regions competing to attract new companies. The Welsh authorities, for example, paid LG about £200m – or £30,000 a job – to locate in Wales. To some, these sums represent a waste of taxpayers' money: overseas companies will come to Europe whatever, and the particular region they choose should be unimportant. In this view, the money could have been better used supporting domestic companies.

Graham Bowley

Treasury official's resignation stirs up single currency furore

By Robert Peston, Political Editor

A Treasury minister yesterday delivered a withering attack on the government's "equivocation" about whether to join a European single currency as he handed in his resignation.

As Tory Eurosceptics exploited Mr Heathcoat-Amory's resignation in a final offensive before the general election to persuade the government to rule out sterling's participation in monetary union, the prime minister insisted he would not be budged.

In his resignation letter to Mr John Major, Mr Heathcoat-Amory said that "joining a single currency would be disastrous, both politically and economically" and added later that the Conservative party "should not contemplate giving up the pound".

The government's policy of keeping its options open on whether to join was "confusing to the public and disappointing to most of our supporters".

However, in reply, Mr Major said that it was not in Britain's interests for its voice to be silenced in EU negotiations on monetary union preparations, which he said would be the result of saying sterling would not join.

Mr Major is expected to announce a limited reshuffle of junior ministerial posts today. Those to be replaced, apart from Mr Heathcoat-Amory, include Mr Tim Eggar, energy minister, and Mr Steven Norris, transport minister, both of whom are standing down at the next general election.

It is understood that Mr Kenneth Clarke, the chancellor of the Exchequer, has requested that Mr David Willetts, a cabinet office minister, should replace Mr Heathcoat-Amory.

UK NEWS DIGEST

Bankers face tighter rules

The Securities and Futures Authority, the City of London regulator, plans to change its rules to make it easier to discipline senior directors of investment banks that lose money because of inadequate controls.

The SFA is responding to criticism of its failure to take any action against Mr Peter Baring and Mr Andrew Tuckey, the former chairman and deputy chairman of Barings, the merchant bank that collapsed under £830m of losses last year.

It has drawn up draft changes to rules that would place far greater responsibility for management of risk on the "senior executive officer" of member firms.

Two of Barings' senior managers have already been banned from working in the City in similar posts for three years, and a further nine face similar discipline. However, the SFA found that neither Mr Baring nor Mr Tuckey breached rules.

Mr Nick Durlacher, the chairman of the SFA, said: "We want to make sure that if a ship goes down, the captain does not just float off on a life-raft."

Mr Tuckey was senior executive officer of Baring Brothers & Co, the merchant banking arm of Barings. The fraud carried out by Mr Nick Leeson, the former Singapore derivatives trader, partly took place within Baring Brothers.

Separately, German authorities yesterday dismissed a report suggesting Mr Leeson had opened six bank accounts in Germany before the collapse, in which he held £28m. Frankfurt prosecutors said they were not investigating the claims.

John Gapper, London

■ BEEF

Handling of crisis 'appalling'

A senior pro-European member of the governing Conservative party yesterday blamed Britain's over-zealous interpretation of European Union law for costing jobs in slaughterhouses and prolonging the beef crisis.

Lord Plumb, the leader of the Conservative European Parliament members (MEPs), also described the government's handling of the crisis as "appalling". In a hard-hitting attack on "gold-plating" of EU rules by Whitehall civil servants, Lord Plumb said: "The way the meat directives were implemented [in the UK] destroyed respect for the regulatory system as a whole. This in turn was a factor in the climate that produced the BSE crisis."

He denounced what he called the contradiction between politicians' rhetoric against red tape and the "actions of national administrators introducing ever more elaborate rules". This "created a degree of confusion which made the BSE problem much more difficult to address".

Speaking at the launch of a pamphlet on meat industry regulation by the pro-European Action Centre for Europe, Lord Plumb said the European Commission's directive of 1991 on meat production and marketing of meat, drawn up to prepare for the single market, was "tampered with and twisted on the path to implementation".

Financial Times reporters

■ AIR SAFETY

Regulator delegates responsibility

The Civil Aviation Authority said yesterday that it was delegating safety issues to airlines and airports to minimise the regulatory burden on the industry. The authority denied that it was increasing the risk to air travellers. It said the change would allow the authority to concentrate on auditing airlines' safety systems rather than being involved in "prescriptive inspection procedures".

The announcement, carried in the authority's annual review, comes in the wake of increasing passenger concern after the crash off the coast of New York last week of a Boeing 747 operated by TWA of the US. Last month, Excalibur Airways, the UK charter airline, went into receivership after safety scares caused a collapse of consumer confidence.

Mr Michael Willett, the CAA's director of safety regulation, said the decision to give airlines greater control would not compromise safety standards. He said: "Best business practice is to put responsibility where the work is done."

Sir Malcolm Field, the authority's chairman, said the UK air safety record was four times better than the world average. However, the authority's annual report indicates that the number of fatal accidents, while far lower than in the mid-1980s, had been rising since the beginning of this decade.

Michael Skapinker, London

■ LLOYD'S

Action group's files stolen

A group of dissident Lloyd's investors has offered a reward for a computer disc, stolen from its London headquarters, which contains a confidential list of international contacts who have helped back up allegations of fraud in the insurance market. The Association of Non-North American Names, which represents 700 investors, helps those who believe they are the victims of fraud at Lloyd's.

Jim Kelly, London

■ NUCLEAR PRIVATISATION

British Energy reactors 'safe'

British Energy, the newly privatised nuclear power company, yesterday announced that two reactors shut for safety checks just before its stock market flotation had been given a clean bill of health.

The news will help calm investors' fears about the burdens imposed on British Energy in having to conform with the nuclear industry's stringent technical standards. The original shutdown announcement on July 10, made just as institutional investors were finalising their offers for stock, hit sentiment at a critical moment. UK retail investors, for whom July 10 was the deadline for submitting bids, had no opportunity to reconsider their offers. The shares, which were sold at 105p for partly paid stock, with a 5p discount for UK retail investors, have steadfastly remained below the offer price. In spite of yesterday's news they closed 2½p down at 97p.

Stefan Wagstyl, London

■ BBC WORLD SERVICE

Chairman guarantees standards

Sir Christopher Bland, the BBC chairman, yesterday wrote to MPs to reassure them that the distinctiveness of BBC World Service would be "guaranteed" under structural changes. The chairman sent a letter to all 242 signatories of a motion asking for the guarantee.

Raymond Snoddy, London

■ TELECOMMUNICATIONS

BT cleared of 'poaching' claim

Oftel, the telecommunications regulator, yesterday cleared BT of misusing information after its staff called ex-directory cable subscribers to try to win back their custom. Oftel launched an urgent investigation last month after about 50 ex-directory cable customers complained of approaches from BT.

Raymond Snoddy, London

■ ASYLUM LAW

Opponents lose battle

Parliamentary opponents of the government's controversial asylum and immigration bill finally lost their fight yesterday, clearing the way for it to become law later this week. Peers in the unelected upper house of parliament voted by 182 to 158 against an amendment which would have given asylum-seekers three days' grace to apply for refugee status before losing the right to welfare payments. The vote upholds a decision in the House of Commons last week which overturned a previous Lords amendment.

David Wighton

Tough fight expected on EU reform plan

By George Parker

The government yesterday tabled details of "hard-headed" plans to reform the European Union, but admitted it could face a series of tough battles in its drive to reform the common fisheries policy and the European Court.

The proposals form the basis of Britain's agenda for reform at the EU's intergovernmental conference, which began in Turin, Italy, last March and is expected to last for a year.

Mr David Davis, the minister for Europe, said: "These are not airy-fairy ideas for armchair philosophers about the shape of Europe. They are hard-headed practical steps to help Britain in Europe and improve the way the EU operates."

At the top of Britain's agenda is a reform of the European Court, to curb what ministers see as the excessive effects of some court judgments.

Yesterday's memorandum gave details of proposals originally published in the government's consultation paper on Europe, A Partnership of Nations, last March. They include proposals to limit the retrospective effect of court judgments, to set up an appeals procedure and to speed up hearings in cases where British courts seek clarification of EU law.

The government has been highly critical of a number of recent European Court judgments, creating a heated atmosphere in which to discuss reforms.

"Because of the attitudes from certain sections of the community towards the European Court, there has been a certain amount of suspicion about what our proposals would be like," the Foreign Office admitted. "We think that now they have seen the details, they will agree that they are hard-headed measures to improve things. Whether they attach the same importance to the reforms as we do remains to be seen."

Britain is also proposing reforms to the common fisheries policy to outlaw the practice of "quota hopping", where foreign interests buy up boats to operate against another states' quota.

Ministry of agriculture officials admit the measures would not apply retrospectively, so they would have no immediate effect on the mainly Spanish and Dutch owners who account for around 20 per cent of UK catch capacity.

Spain and the Netherlands oppose the UK's proposed protocol to the Treaty of Rome, which must be approved unanimously, but ministers remain hopeful they could be persuaded in wider IGC negotiations.

The government also tabled an amendment to the Treaty of Rome to ensure the welfare of animals is taken fully into account when shaping laws. The UK is keen to improve conditions for breeding sows, veal calves and battery hens.

European stylists claim gains in Nissan row over car design

By John Griffiths

A third car being considered by Nissan for its plant at Sunderland is expected to be the first mainstream model completely styled by its UK and mainland European designers and engineers, rather than adapted from a Japanese design.

Nissan's European design and engineering staff, at its technology and design centres in England, Belgium and Germany, believe they are winning an internal argument that fully European-conceived styling is needed if Nissan is to take full advantage of its manufacturing potential at Sunderland and overcome its current lacklustre sales performance.

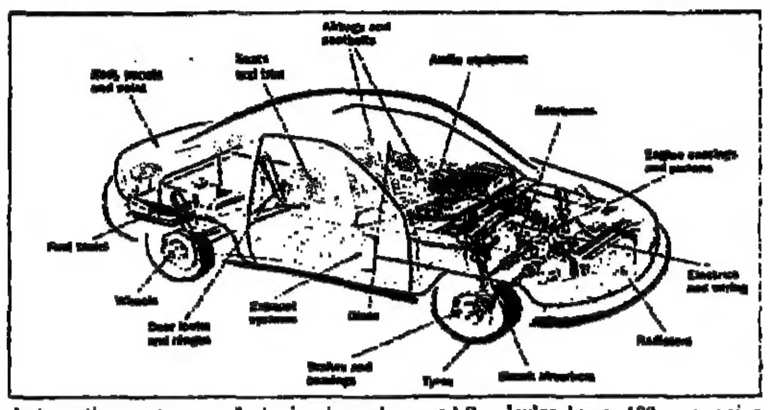
Production at Sunderland is running well below capacity, a situation Nissan hopes to redress with its new Primera model, which was unveiled yesterday and is to go on sale in Europe in September. Sunderland's total output this year is planned to be 215,000 vehicles, the same as 1995, compared with a capacity of 300,000.

The previous Primera was widely praised for its engineering integrity, but equally widely criticised for its bland and overtly "Japanese" style. The smaller Almera model, which Nissan imports from Japan to compete in the important Ford Escort/Volkswagen sector – and which the proposed third Sunderland car would replace – has run into similar criticism since its launch early this year.

Nissan said it had invested a total of £320m ($499.2m) in bringing the new Primera into production at Sunderland. Some £250m had been spent on manufacturing facilities, with a further £70m on design and development. The Sunderland plant has the capacity to build 130,000 Primeras a year which will be exported to 58 countries, including Japan.

Nissan is to decide early next year whether to go ahead with the proposed third car at Sunderland, which also produces the Micra "supermini".

Figures released by Sunderland City Council yesterday showed that the number of companies in and around Sunderland with automotive-related products had doubled to 132 since 1978 when the plant was established, providing employment for 44,000 people.



Automotive parts manufacturing in and around Sunderland uses 132 companies

Blade runner

The fruits of GE's research and development overhaul are described by Stefan Wagstyl

R&D

It took seven years for General Electric, the US industrial group, to bring to market its F-class gas turbine, which is now being installed in power stations throughout the world. Its successor, the H-class gas turbine, will come to market in half the time, even though it incorporates much more new technology, including a revolutionary way of using steam to cool the fast-spinning rotor blades.

The speed with which GE is developing the new turbine is a reflection of the rapid advance of research and development tools, notably computer modelling, and of an overhaul of GE's research efforts ordered five years ago by Jack Welch, the group's chairman and chief executive officer.

Welch, who took over in 1981, has included R&D in his wide-ranging efforts to extract bigger profits from the company's acknowledged technological and industrial prowess. Even the group's legendary research and development centre, home to two Nobel prize-winners, has not been spared from the demands for change.

"It was a culture shock for some of us," says Gene Kimura, manager of the mechanical systems laboratory, one of 13 units at the R&D centre. "But it was absolutely necessary to ensure that the company got value for money."

The centre, built in wooded hills in New York state, is GE's equivalent to AT&T's Bell Laboratories. Until the 1990s, 75 per cent of its funds came from group headquarters and most of the rest from US government programmes. Many of its researchers became rather remote from commercial realities. For some the site seemed more like a university campus than a factory – except the salaries were higher.

In the early 1990s, Welch decided this had to change. The group cut its contribution to the central laboratories' budget to 25 per cent, leaving GE's 13 operating divisions to make up the difference – and demand commercially relevant research in return.

Now, they pay 40 per cent of the costs. The remaining 35 per cent is split between the government and Lockheed, the aerospace company which two years ago acquired the former GE aerospace business in a takeover of Martin Marietta, the defence contractor.

GE also laid down rules for how these funds should be spent – 15 per cent on improving current products, 35 per cent on developing successors, 35 per cent on next generation products, and 15 per cent on blue-sky ideas. The central laboratories have an annual budget of just under $400m (£250m) a year, about 20 per cent of GE's total R&D spending. They produce about a quarter of the group's patents and about half its scientific papers.

The new financing arrangements have given priority to the needs of operating divisions. The change was reinforced by a management restructuring at the central laboratories three years ago, which saw the appointment of 13 business managers – one for each division – to monitor R&D work done for their divisions. They have tried to ensure that the traditional strong links between technical staff at the laboratories and at the divisions have been matched by an equally tough commercial tie.

At the same time, GE threw out a hierarchical system in which laboratory managers reported to branch managers who in turn were answerable to more senior executives. In its place, GE introduced a four-man technical council, headed by Lonnie Edelheit, the senior vice president in charge of corporate R&D.

Kimura says that as well as cutting office bureaucracy, the new system created more flexible ways for ideas to be passed between laboratories and discussed among different teams of researchers. "At the top, things are mushy, which is great for communication."

Teamwork, says Kimura, is important in commercial research. "It's a culture we have to create. This isn't a university. We can't have people who stay in their labs and come out and give a paper once a year." For example, developing aero engines required expertise in high temperature materials, fluid dynamics, emissions, manufacturing techniques and information technology.

Hand-in-hand with organisational change at the laboratories has come a rapid advance in research technology, particularly in computer modelling. Sophisticated hardware and software enable researchers to produce ever more accurate computer simulations of products.

The techniques help virtually all products, but are particularly useful for large items such as power turbines which are very expensive to construct in physical prototype. Kimura says: "IT management is critical to our future."

Yet, even the overhaul of R&D management and the introduction of the latest R&D tools have not been enough to save GE last year from an embarrassing and expensive technical problem. The group's F-Class turbines developed faults which only became apparent after the first machines went into service with customers. Some turbine sections had to be flown back to Schenectady for repairs while others were put right by roving teams of GE engineers. The problems cost the group at least $100m.

Ironically, the faults were not caused by any high-technology features but by the rotors rubbing against the turbine casing at high temperatures.

Kimura says valuable lessons have been learnt. "We have learnt how to improve the management of launching new products. We put a lot of emphasis on using the latest design tools. We should have paid more attention to traditional fatigue tests."

Viewpoint · Adam Hodgkin

Biological data needs formula for its future

Modern biology generates masses of data. Much of this is ephemeral and will not warrant a second glance, even in the lab in which it is generated.

But data which has been interpreted, commented on, related to other findings and accepted is the keystone of scientific achievement. Genetics and molecular biology are critically reliant on a growing collection of databases, many of which are freely available on the Internet.

The design, scope, size and quality of these databases vary greatly. Little glamour is attached to the task of curating a database and few prizes have been given to the dedicated individuals who have built them. But the growth of these databases will be one of the greatest achievements of modern biology.

Two of the best regarded European-sourced databases collect protein data (Swiss Prot and Pro-Site). They have been developed over 10 years under the guidance of Amos Bairoch, a Belgian scientist working at the University of Geneva. About 10 people are now employed on them full-time in Switzerland and at the European Bioinformatics Institute near Cambridge.

Two months ago the world of molecular biology was stunned to learn that the databases would cease to operate from the end of June. A funding request had been rejected at a late stage by a European Union committee of experts. Such was the storm of protest among the international scientific community (reports in Science and Nature, a blizzard of e-mail) that the service has been given a respite while a new bid for funds from the EU is organised.

These databases are too useful to be lightly cast aside (Millennium Pharmaceuticals, a US company, offered $20,000 [£12,800] to the crisis appeal and Glaxo already funds half a post). However, the incident should encourage reflection on the way in which databases are developed and distributed in molecular biology. The most obvious lesson is the insecure nature of government-sourced finance. It is unlikely that the taxpayer will in the long-run provide adequate funds for the maintenance and development of databases which will be the foundation of science and medicine in the next century.

The market innocence of molecular biology databases is exceptional. In other sciences the major reference databases are marketed. There is often a mixture between outright commercial provision and databases which are funded by subscriptions to a non profit-making host institution.

The privatisation of crucial biological databases has already begun. A company such as Incyte, based in California, exists to sell genetic databases to companies at prices which could only be met from the R&D budget of a drug company. There are high-technology start-ups in the US dedicated to building big proprietary genomic databases (such as the Institute for Genome Research funded by SmithKline Beecham). There will be more.

Little glamour is attached to the task of curating a database but the growth of data will be one of the greatest achievements of modern biology

One questions the extent to which these databases are really in the "public domain". The whole concept of the "public domain" in relation to intellectual property is legally murky. In reality, a database creator will often seek to keep a degree of control over the uses to which the databases are put – control which would not be possible over truly public domain materials.

The World Wide Web server, through which one can reach Swiss-Prot, states: "This server and its associated data and services are for research purpose only, not for clinical or commercial use. "Yet the importance of these protein databases lies in the fact that they have great potential for clinical and commercial use and they should be used for these purposes. But the "free access" model does not adequately deal with how these users can be accommodated fairly and effectively.

Biotech users can afford to pay for their biological databases as they pay for chemistry. Perhaps half of the usage comes from university researchers who are largely responsible for creating the databases (through published research and direct submissions) and about half is from pharmaceutical and biotech companies who may not submit their data.

It would seem reasonable to devise a pricing mechanism through which these different types of usage are recognised (i.e. free or very cheap for universities).

The received wisdom in molecular biology is that it is good for so many databases to be available free on the Net.

The benefits are obvious, but there is much less widespread recognition of the costs of this free access. Someone has to pay for these resources.

Improvements will not be lightly funded, and the costs of running free databases fall on the science base and may be at the expense of primary research.

It would be a neat and progressive step if the Swiss Prot crisis led to the creation of a body, possibly attached to the European Bioinformatics Institute, which would publish and commercialise core databases in the public interest and develop them so that they were freely accessible on the Net by universities but commercially licensed for use by any business.

This should become a safer source of funds and it might in the long-term improve information provision in science and medicine.

The author is managing director of Cherwell Scientific Publishing, a company based in Oxford which publishes software for use in research.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 23 1996

IN BRIEF

AGF sells FFr5.3bn of property assets

Assurances Générales de France, the privatised insurance group, announced property sales totalling FFr5.3bn ($1.02bn). The board of the insurance group approved the sale of its 99.5 per cent stake in La Fourmi Immobilière, which holds a range of property assets, to Sefimeg, a quoted French property group, for FFr3.7bn, as well as several smaller transactions. Page 17

Higher US petrol prices lift oil groups
Higher US petrol prices, which caused a storm of controversy recently, boosted US oil corporations' returns from domestic refining and marketing in the second quarter, although foreign operations did less well. Page 16

AlliedSignal rises 16% in second term
AlliedSignal, the diversified US manufacturer, raised second-quarter net income by 16 per cent before special items to $263m and forecast full year earnings up by 13 to 17 per cent. Page 16

Norsk Hydro growth slows at halfway
Norsk Hydro, Norway's biggest quoted company, disappointed the market by reporting slower first-half earnings growth because of weak market conditions in its petrochemicals and aluminium divisions. Shares in the conglomerate slid NKr7 to NKr287. Page 17

Chinese group poised for Hong Kong buy
Shares in Shanghai International were suspended as the Hong Kong arm of China's biggest securities company appeared poised to buy part of Sun Hung Kai & Co, one of the territory's oldest financial services groups, in a deal estimated by some analysts at about HK$400m (US$51.7m). Page 18

Commonwealth Bank in A$1bn buy-back
The Commonwealth Bank of Australia completed the final stage of its privatisation as it bought back 100m shares from the federal government for A$1bn (US$791m) with the stock subsequently being cancelled. Page 18

Leeson Lager group considers US listing
South China Brewery, the Hong Kong-based company behind Leeson Lager, a special edition brew named after the rogue trader who brought down Barings, said it was considering a listing on the Nasdaq exchange to raise capital for expansion. Page 18

EMI Music chief could receive £12m
Mr Jim Fifield, chief executive of EMI Music and one of the highest-paid executives of a UK company, would be entitled to compensation of about £12m ($18.7m) based on last year's remuneration if he were to leave following a takeover bid, according to documents published for the proposed demerger of Thorn EMI, parent of EMI Music. Page 19

Wall Street weakness hurts Swiss index
Switzerland's SMI index suffered its biggest one-day fall for 25 months as early weakness on Wall Street, troublesome currency developments and a sudden absence of positive corporate news combined to drive shares lower. The SMI index lost 95.4, or 2.6 per cent, to close at 3,566.1. Page 32

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Falls**			
Altana	1108	+	12	Air Liquide	872	-	13
Badenwerk	580	+	20	Alcatel	392.1	-	10.5
Falls				CBP	1149	-	34
Allianz	2632	-	48	Immobanque	517	-	31
Kali & Salz	214.5	-	7.5	Soc General	551	-	14
Man	574.5	-	11.5	Vallourec	211	-	5
[illegible]				[illegible]			

New York and Toronto prices at 12.30pm.

Fiat cautious over full-year result

By Andrew Hill in Milan

Fiat recorded higher pre-tax profits in the second quarter than in the first three months of this year, according to Mr Cesare Romiti, the chairman, who warned that the Italian automotive and industrial group would have to work hard to match last year's strong performance.

Mr Romiti, who took over from Mr Giovanni Agnelli as chairman in February, said 1996 would be a tough year for the core automotive business, and the profit per vehicle produced was lower than in 1995.

Improved results from other sectors meant that 1996 would be "a year which gives satisfaction to the shareholders, but for management it's much harder work than 1995", he said in an interview.

In April, Fiat announced that 1995 group profits had doubled to L2,147bn (£916m) after tax, but the company also revealed that pre-tax profits had fallen by 24 per cent in the first three months of 1996, compared with the first quarter of last year.

Mr Romiti said Fiat was hit by a decline in demand, particularly in Italy, which is still the group's main market. He declined to quantify the improvement in second-quarter profits, or provide detailed comparison with the second quarter of 1995.

Analysts pointed out that the second quarter was normally better than the first for Fiat Auto, the carmaking subsidiary. Fiat will release its half-year results to end-June in September.

Mr Romiti said the planned flotation of a minority stake in New Holland, the London-based agricultural and construction equipment subsidiary, could take place "before the end of November". Fiat expects to sell 30-40 per cent on the New York Stock Exchange, although Mr Romiti underlined that this would not be the first step towards disposal of the whole company.

Analysts estimate that before extraordinary items, Fiat's profit for 1996 will be about L200bn lower than last year, but the capital gain on the New Holland flotation should lift net profit.

Fiat is also seeking a new strategic partner for Snia BPD, the quoted industrial holding company, in which it has a 48 per cent stake. "We want to insert new shareholders in a way that greatly reduces our stake, and allows these new shareholders to take part in management [of Snia]," he said.

Failure to acquire MGM leaves entertainment group's film unit short of critical mass

PolyGram seeks seat at Hollywood's top table

When most companies miss out on an important acquisition, no one hears about it because the talks have been conducted secretly: but PolyGram's abortive attempt to buy the MGM film studio was embarrassingly public.

PolyGram, the world's largest music group, was the front-runner in the auction for MGM which, it hoped, would turn its four-year-old filmed entertainment unit into a fully fledged Hollywood studio. But last week its was edged out by a $1.3bn bid from MGM's management and Mr Kirk Kerkorian, the veteran corporate raider.

The critical question for PolyGram, due to report first-half results tomorrow, is how its failure to acquire MGM will affect its plans to expand its filmed entertainment business, in which it has invested more than $700m, and to bring it into profit.

Mr Alain Lévy, PolyGram's chairman, admits that the result of the MGM auction was a setback. "But we'd reached a point where we couldn't go any further," he says. "I don't intend to be fired in two years' time for having over-paid for MGM."

The consensus among analysts is that PolyGram took the sensible course of action in refusing to raise its offer, or to waive the indemnities against future problems such as legal suits demanded in its bid. Schroder Wertheim, the investment bank, praised it for displaying "shrewd fiduciary responsibility". However PolyGram now faces the challenge of finding a new strategy to develop its film business.

In four years in Hollywood, PolyGram has created a film company that contributed Fl 1.2bn ($719m) to its 1995 net sales of Fl 8.8bn and now makes 10-12 mainstream films a year. It has produced one blockbuster – 1993's *Four Weddings And A Funeral* which grossed more than $200m – and has won a reputation for high quality, imaginatively marketed films. *Dead Man Walking* took $77m at the box office and earned a 'best actress' Oscar for Susan Sarandon. *Trainspotting* has grossed $25m so far and is so hip that its logo is printed on souvenir T-shirts.

Slice of the action

PolyGram has a promising slate of pictures in production including Jane Campion's *Portrait of a Lady* and *Sleepers* starring Brad Pitt and Robert de Niro. However its efforts to court Hollywood stars could be affected by the news that it is being sued by the actress Jodie Foster (whose Egg production company is linked to PolyGram) after she was dropped from a movie.

However, the crux of PolyGram's problems is that although some of its critically acclaimed films are highly profitable – *Trainspotting* was made for $4m – they do not generate enough box office dollars to counter the flops. *Four Weddings* apart, the group has yet to crack the lucrative blockbuster market. Moreover, if PolyGram Filmed Entertainment is to become profitable, it must distribute its own films (the most profitable part of the business) in the larger markets. It owns distribution operations in the UK, France, Australia, Spain and Benelux, and will open one in Germany next year. But it does not yet make enough movies to justify the cost of a US distribution network, nor is its catalogue of films and television programmes big enough to generate a steady revenue stream to balance the volatile finances of film-making.

Acquiring MGM would have addressed both problems. Without it, Mr Lévy may take longer to acquire the critical mass he needs. *Nonetheless he intends to* press ahead, aiming to launch a US network by early 1998 and estimating that PolyGram needs to make at least 15 mainstream films a year to support it.

One option would be to acquire a production company, possibly Castle Rock or New Line if they come up for sale following the takeover of their owner, Turner Broadcasting, by Time Warner. Mr Lévy is also considering investment in a start-up operation, possibly by backing proven "action" film makers. He has already approved a couple of TV productions and may stage an acquisition in that field.

However, PolyGram may face more losses from its film unit for another few years unless, as Mr Lévy says, it has "a couple of big hits". Convinced the future growth of the film market will justify the investment, he is willing to sanction those losses hoping that "by the year 2000 we'll have a business that can compete against the major studios".

So far the profits from PolyGram's record labels have comfortably balanced its film losses. However, the strain showed last year when a couple of key albums were delayed and PolyGram reported stable net income of Fl 741m. Mr Guy Lamming, analyst at SBC Warburg, expects it to announce static first-half net income of about Fl 270m with 12 per cent growth to Fl 830m pencilled in for the full year.

"There's little doubt that a company with an intelligent, experienced management and a large amount of capital like PolyGram can break into the Hollywood studio system," he says. "But it will take time and some shareholders might start wondering whether PolyGram would be better off spending its money on something else."

Alice Rawsthorn

Washington Mutual pays $1.2bn for rival

By Richard Waters in New York

Washington Mutual yesterday agreed to pay $1.2bn in stock for fellow West Coast thrift, American Savings, in an acquisition that underlines the consolidation in the US savings and loans industry.

The deal will create a residential mortgage and consumer loans company with assets of $42bn, making it the country's third largest S&L behind Ahmanson and Great Western.

The transaction is the latest sign of the rapid shrinkage of the thrift industry in the years since its property lending traumas of the late-1980s. American Savings, *a subsidiary of Federal Savings*, was the most spectacular of those busts, prompting a $1.7bn Federal-backed bail-out.

Washington Mutual, based in Seattle with $22bn of assets, is the largest mortgage lender in the states of Washington and Oregon. American Savings, based in Irvine, California and with assets of $20bn, is the second biggest originator of mortgages in California.

The deal gives Washington Mutual a platform in the US's largest state at a time when the regional banking industry has been through a significant round of mergers. BankAmerica, following its merger with Security Pacific, and Wells Fargo, which bought Crocker National and First Interstate, now account for the vast bulk of banking assets in the state.

Mr Kerry Killinger, Washington's chairman, said the acquisition would provide a platform for his company's expansion in both consumer and commercial banking in the region.

Washington Mutual said it would issue 48m shares to American's holders, which include the Federal Deposit Insurance Corporation. The FDIC planned to sell the 14m Washington shares it would receive, which were valued yesterday morning at $432m, soon after the deal was completed, Washington said. Only 40m of the shares will be transferred to existing holders immediately. The rest will be held in an escrow account to back a legal dispute involving American's parent company, Keystone.

The mathematics of the deal are not founded on a large number of lay-offs. Instead, Washington said that American's branches would broaden its reach, while the make-up and geographic range of its assets would reduce the risk in Washington's lending portfolio.

DBKom telecoms partners plan to spend up to DM4bn

By Wolfgang Münchau in Frankfurt

The new telecoms operation of Deutsche Bahn, the German railway operator, and a consortium headed by Mannesmann, the industrial group, are to invest between DM3bn and DM4bn ($1.9bn-$2.6bn) to prepare for the 1998 liberalisation of the German telecoms market.

The companies yesterday detailed their plans for DBKom, which is expected to emerge as the most vigorous challenger to Deutsche Telekom, the national operator, after liberalisation. DB's supervisory board chose Mannesmann as a strategic partner for DBKom this month.

Under the deal, Mannesmann and its international partners, including AT&T of the US, will initially take a 49.8 per cent stake in DBKom, with an option to go up to just under 74.9 per cent within the next three years. Mannesmann will have managerial leadership in DBKom.

Mr Heinz Dürr, chairman of DB, and Mr Joachim Funk, chairman of Mannesmann, refused to disclose yesterday how much Mannesmann had agreed to pay for its stake. Analysts believe the price is likely to have been DM1bn-DM2bn.

Mannesmann will later merge Communications Network International (CNI), its corporate telecoms network, into DBKom. Mannesmann's consortium also includes Unisource, a European grouping of telecoms companies.

Mr Peter Mihatsch, Mannesmann board member in charge of telecoms, said that the future profitability of DBKom would depend on the regulatory environment, but expected DBKom to make a profit in three years.

Mr Dürr said DBKom would make losses next year but would operate with a positive cash flow.

German analysts praised the industrial logic of the deal.

DBKom has a 40,000-km telecoms network next to railway tracks. Its biggest customer is DB, through a service contract worth DM1bn a year.

Mr Dürr said: "In view of the fast deregulation and the immense dynamics of the market, it was important to realise our concept in the shortest possible time. One thing is clear: on January 1 1998 we want to be fully in the market."

DBKom would invest in the fibre network to increase its length from 4,000km to 14,000km within the next two years.

Lex, Page 14

Tesco opts out of French bid

By Christopher Brown-Humes in London and Andrew Jack in Paris

Tesco, the UK supermarket chain, has decided against making a "white knight" intervention for Docks de France, the French retail group which *is facing* a £2.1bn ($3.2bn) hostile bid from the privately-owned Auchan group.

The UK company baulked at paying up to £2.5bn to trump the Auchan terms. It also felt there would be no early enhancement of shareholder value.

The decision came as the board of Docks de France met last night amid speculation that it might be considering – and prepared to accept – a higher offer from Auchan.

Docks de France shares were suspended on the Paris bourse yesterday morning at FFr1,222 a share, against Auchan's FFr1,250 offer price, pending an announcement.

However, the offer was strongly criticised by Docks de France, best known for its Mammouth retail chain.

It argued that the two groups were "as similar as fire and water" and that there was little logic in the acquisition.

Executives stressed they were considering a number of alternative possibilities, but by criticising the offer price as inadequate they left open the opportunity for Auchan to increase its bid.

Tesco was one of a number of retailers mentioned as a possible white knight. The UK group had to move before today if it wished to launch a counter-bid.

"Tesco believes there are plenty of other opportunities to expand in France and elsewhere in Europe," a company adviser said.

The UK group looked closely at Docks de France before deciding against a move. A purchase would have given it critical mass in France, following its 1993 purchase of the Catteau food retail chain. But analysts said the deal was too big for the company and too ambitious, given the disappointing returns from its French operations.

Analysts believe Tesco may still be interested in parts of Docks if Auchan is successful and decides to sell off part of its target's business.

Tesco's shares closed down 5p at 278p in London yesterday.

Lex, Page 14

Higher petrol prices in US lift oil groups

By Christopher Parkes in Los Angeles

Increases in US petrol prices, which caused a controversy recently, lifted US oil corporations' returns from domestic refining and marketing in the second quarter, although foreign operations did less well.

The profits improvement came in spite of earlier warnings from industry leaders that tough conditions and low margins might continue to depress performance beyond the first quarter.

Chevron, which in the past year has had to contend with production cuts and start-up costs associated with new clean-burn fuel manufacturing processes, said net income from US refining and marketing improved almost 80 per cent before extraordinary charges.

Exxon, reporting a 60 per cent increase in this area, blamed a 40 per cent drop in overseas markets on weak economic conditions in Japan and the UK.

Companies announcing results yesterday said chemicals operations had suffered from low prices during the quarter.

Net earnings at California's Chevron group rose 15 per cent on a like-for-like basis to $700m in the three-month period, and were lifted to $872m by a one-off gain from the sale of a Japanese refinery.

Mr Ken Derr, chief executive, singled out the "excellent performance" of upstream operations, which benefited from improved crude prices and rising volume sales.

Exxon, which announced net earnings down almost 4 per cent at $1.57bn, also reported a 40 per cent dip in foreign refining and marketing, while worldwide chemicals earnings fell 47 per cent to $304m despite record volume sales.

Occidental, which saw chemicals income tumble by almost 50 per cent in the quarter, said it was pleased with a doubling of oil and gas earnings, which brought total income from this division to $305m for the first half.

However, group net profits for the quarter under review fell 3 per cent to $181m.

Mobil, reporting an 11 per cent rise to $783m in group net income – after allowing for hefty restructuring and other charges in the year-earlier period – appeared to have sidestepped the problems which affected competitors' refining and marketing operations.

The company said higher refining margins and product sales worldwide benefited downstream operations while an increase in average oil prices of $1.50 a barrel and better returns from gas, thanks to harsh weather, had helped upstream divisions.

Texaco, which also reported one-off charges for reorganisation during the quarter, said adjusted net income rose almost 70 per cent to $465m.

US oil companies - second quarter

	Revenue $bn		Net income per share $	
	1996	1995	1996	1995
Exxon	32.21	31.57	1.26	1.30
Mobil	19.55	18.85	1.95	0.42
Amoco	8.76	7.71	1.20	1.08
Chevron	10.51	9.40	1.34	0.93
Texaco	11.26	8.26	2.59	0.99

Source: Agencies

Slow second quarter for US drug groups

By Richard Waters in New York

US drug groups Warner-Lambert and Bristol-Myers Squibb turned in lacklustre sales growth for the second quarter, in part due to the stronger dollar, though both met Wall Street's expectations, with growth in earnings per share of 5 per cent and 9 per cent, respectively.

The latest results reflected something of a transition for both companies. Year-on-year comparisons at Warner-Lambert were hindered by last year's inclusion of earnings from its generic pharmaceuticals business, which has since been sold. Bristol-Myers, meanwhile, suffered from an expected 35 per cent fall in sales from its biggest-selling product, Capoten, which lost its US patent earlier this year.

At Warner-Lambert, sales for the quarter were flat at $1.8bn, in part due to the dollar's rise, which wiped 4 percentage points from its reported sales growth. Adjusting for the effect of the disposal of the generic drugs business, sales would have grown 2 per cent in the period, it said.

The company's growth does not reflect sales of Zantac 95, the over-the-counter version of Glaxo-Wellcome's big-selling ulcer treatment, which was launched during the quarter. Had these sales – which are accounted for in a joint-venture company – been consolidated, revenues from Warner-Lambert's consumer health care division would have risen by 19 per cent from a year before, the company said.

As it was, sales were up only 1 per cent to $709m. Pharmaceutical sales fell 3 per cent to $617m, while confectionery sales rose 1 per cent to $465m.

Warner-Lambert reported a 6 per cent increase in net income to $212m, while earnings per share rose from 75 cents to 79 cents.

At Bristol-Myers, the effect of Capoten's patent expiry was offset by growth in some of the company's newer products: Pravachol, a cholesterol-lowering drug, which recorded sales of $505m, up 39 per cent from a year before; Taxol, a treatment for cancer, which increased 55 per cent to $400m; and Enfamil, an infant formula, up 27 per cent at $345m.

These products enabled the company to record sales growth of 7 per cent overall during the quarter, despite the effects of currency changes. Bristol-Myers' after-tax profits rose by 8 per cent to $855m, with earnings per share rising from $1.20 to $1.31.

Enron fired up for global deregulation of energy

By Robert Corzine

The merger between Enron and Portland General is a further sign of the growing global convergence of the natural gas and electrical power industries.

"This proposed merger with Portland General represents an outstanding opportunity for us to create the leading energy company of the future in the North American energy markets," said Mr Kenneth Lay, chairman and chief executive officer of Enron.

The Enron/Portland link-up makes particular sense in a mature economy where deregulation is reshaping markets, say analysts. They note that British Gas, Enron's arch-rival in international markets, is also keen to expand into electricity as its domestic gas and electricity markets move to full liberalisation in 1998.

However, the attraction of combining the two industries is also evident in emerging economies, where the use of natural gas as a fuel for combined cycle gas turbines is increasingly seen as the quickest and most viable way of meeting power shortages.

Enron, whose roots are in the Texas natural gas business, has long embraced the notion of all-round energy provision, in contrast to many of the traditional oil majors which have shied away from extending themselves too far into electricity markets.

The consolidation of the US natural gas industry has been moving quickly this year, with El Paso Energy's planned $4bn acquisition of Tenneco Energy the latest deal. Coming soon after deals linking Mobil with PanEnergy, and Chevron with Natural Gas Clearinghouse (in which British Gas has a substantial stake), the takeover will transform two regional businesses into a single national pipeline and marketing group.

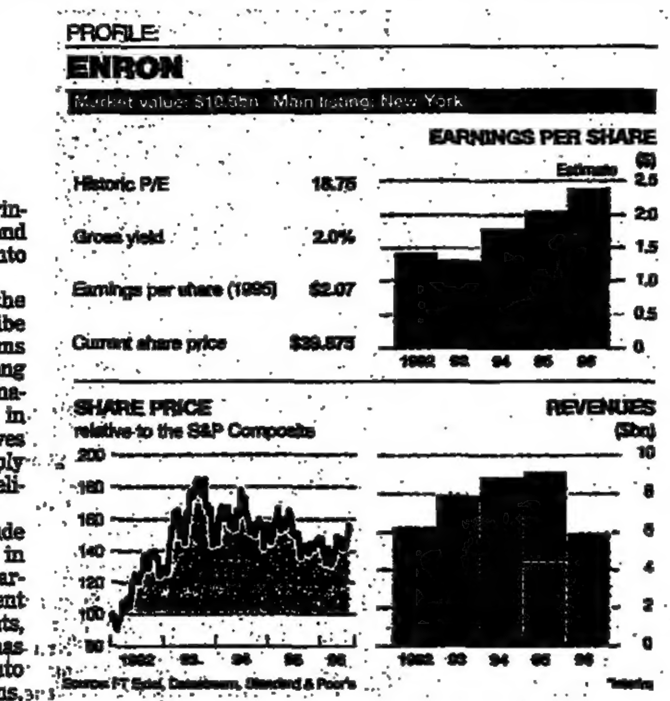
But Enron has been the principal force in the push beyond natural gas consolidation into integrated energy markets.

Enron executives use the term "visionary" to describe the company. Such claims evoke strong emotions among its competitors in the international oil and gas industry, in part because Enron executives can pursue natural gas supply and power deals with near-religious zeal.

Such an aggressive attitude can often pay big dividends in the highly competitive markets, such as the development of independent power plants, in which it operates. But it has also pushed the company into embarrassing confrontations, such as the recent controversy in India over its $3bn-plus Dabhol power plant.

The company's reputation as a savvy reader of industry trends also suffered recently when it signed a contract for high-price gas in the UK just months before the wholesale gas market collapsed.

Enron recently asked a US judge to nullify the large gas purchasing contract it has with North Sea producers. But the High Court in London ruled that the complex dispute between Enron and companies involved in the J-Block gas field and the Central Area Transmission System (Cats) pipeline must be heard in the UK.



AlliedSignal upbeat for year after 16% rise

By Tony Jackson in New York

AlliedSignal, the diversified US manufacturer, raised second-quarter net income by 16 per cent before special items to $263m, or 93 cents a share, and forecast full-year earnings up by 13-17 per cent.

The group reported a charge of $359m in the quarter, offset by a net $368m profit from the $1.5bn sale of its brake business to Bosch of Germany in April.

The charge was due in part to reorganisation in the aerospace and automotive divisions. This repositioning and realignment would be complete by the end of next year, AlliedSignal said. Part of the charge was also due to new accounting policies on environmental clean-ups.

Net profit in aerospace was a record $90m, up 25 per cent, on sales 12 per cent higher at $1.4bn. Sales and services in engines and equipment were higher, but commercial avionics sales were down because of lower demand and delayed shipments.

In the automotive division, sales and earnings fell as a result of the brake disposal, with sales down 36 per cent at $955m and earnings down 23 per cent at $50m.

On a like-for-like basis, however, earnings rose 47 per cent on a 4 per cent increase in sales. Sales of airbags in Europe and seat belts in the US were up significantly. A fall in output from the US heavy-duty truck industry affected sales of turbochargers and truck brake systems.

In the engineered materials division, net income rose 12 per cent to $118m on sales up 10 per cent to $1.0bn. While margins were higher in fluorine products, such as environmentally safer CFC-free refrigerants, this was more than offset by a margin decline in nylon and polyester fibres.

Sales of electronic materials were lower because of a slowdown in production of integrated circuits worldwide.

Free cash flow, excluding the proceeds of the Bosch sale, was up slightly at $42m. As a result of the sale, the company had $2.0bn of cash at mid-year.

Group sales after the disposal were $7.1bn, a rise of 1 per cent. Productivity in the quarter rose 5.7 per cent.

The company said this was the 18th consecutive quarter of earnings growth exceeding 14 per cent. Its shares rose $1 to $56⅝ in early trading.

Higher nickel prices help Inco offset copper weakness

By Bernard Simon in Toronto

Higher nickel prices and lower taxes helped Inco, the western world's biggest producer of nickel, offset a slump in copper prices and higher operating costs in the second quarter.

Net earnings were virtually unchanged at US$61m, or 47 cents a share, in the three months to June 30, compared with $55m, also 47 cents a share, a year earlier. Sales rose slightly to $865m from $856m.

Inco said it was still working towards completion of its C$4bn (US$2.9bn) acquisition of Diamond Fields Resources, the Vancouver-based exploration company whose main asset is the rich Voisey's Bay nickel, cobalt and copper deposit in eastern Labrador.

The deal, which was due to close almost two months ago, has been delayed by a lawsuit filed by former partners of Diamond Fields' co-chairman claiming a stake in Voisey's Bay. Inco has indicated it will not finalise the deal until the lawsuit is out of the way.

Second-quarter nickel output fell to 142m lbs from 150m lbs. But average prices received climbed to $3.79 a lb from $3.65.

On the other hand, copper prices slid to $1.17 from $1.31 a lb. Output rose to 84m lbs from 67m lbs. Inco said hedging programmes assured a minimum copper price of $1.10 a lb for a "significant portion" of planned 1996 sales.

Finished nickel inventories stood at 67m lbs on June 30, up from 60m lbs three months earlier. Inventories are expected to drop during the third quarter because of summer holiday shutdowns.

Capital spending more than doubled in the first half of the year, to $190m, reflecting expansion at 59 per cent-owned PT Inco in Indonesia, and the development of new mines in Canada.

NEWS DIGEST

Revamp paying off at Axel Springer

Axel Springer, one of Germany's largest publishing groups, yesterday reported a 12 per cent increase in net profits for the first half of the year, in spite of a 26 per cent rise in paper costs. The sharp rise in profits follows a two-year restructuring programme led by Mr Jürgen Richter, chairman, who has cut costs and marketed aggressively.

Net profits for the Springer group rose 12 per cent, from DM72m for the first half of 1995 to DM80.5m ($54.1m) for the same period this year. The figures indicate Springer may be on course to match last year's profits, which climbed 15 per cent from DM123m in 1994 to DM142m. Sales were ahead from DM3.96bn to DM4.14bn over the same period.

The steady climb in profits and sales coincides with efforts by German newspaper groups to attract more advertising, against sluggish consumer spending and intensifying competition from new publications and commercial television.

Judy Dempsey, Bonn

Schlumberger meter units weak

Deregulation of Europe's electricity and natural gas industries, and their changing shape, have driven down demand for metering equipment, according to Schlumberger, the Franco-US energy services company. Mr Euan Baird, chairman and chief executive, blamed the poor second-quarter performance of the company's measurement and systems division on "significant technology changes and confusion caused by deregulation in the electricity and gas utility businesses in Europe".

The division reported a 2 per cent rise in operating revenues to $708m. However, strong demand for Schlumberger's smart cards was offset by a 2 per cent fall in revenues for gas, electricity and water meters. The metering businesses' poor performance contrasted sharply with buoyant conditions in most of Schlumberger's other operations, especially oilfield services.

Total net income for the second quarter was $197m, 18 per cent up on the same period last year, with operating revenue 15 per cent higher at $2.15bn. Demand for Schlumberger's oilfield services remained strong during the second quarter, with operating revenues up 22 per cent to $1.4bn. Solid growth was recorded in the Gulf of Mexico, West Africa, the North Sea and Latin America.

The strong worldwide demand for offshore drilling rigs was reflected in improved rig utilisation rates, which have risen from 88 per cent in the second quarter of 1995 to 94 per cent this time. The company expects oilfield services to remain strong because of rising worldwide demand for oil and natural gas.

Robert Corzine, London

One-off gains boost Cominco

Cominco, the Vancouver-based metals producer, posted a small increase in second-quarter operating earnings, attributable to higher refined zinc and cathode copper output, and timely hedging of copper sales. Net earnings, however, were lifted by one-time after-tax gains totalling C$114m (US$83.4m) from the sale of a hydro-electric dam and a stake in British Columbia's Snip gold mine. These gains were partly offset by C$29m in net property write-downs and provisions for environmental liabilities.

Net earnings climbed to C$106.3m, or C$1.24 a share, in the three months to June 30, from C$17.6m, or 21 cents, a year earlier. Revenues advanced from C$352.8m to C$400.1m. Earnings before the special items rose from C$18m, or 21 cents, to C$21m, or 23 cents. Each one US cent a lb drop in the copper price costs Cominco C$1.9m in annual after-tax earnings. But forward sales and options contracts concluded before the recent slide in the copper market boosted second-quarter earnings by C$8m. Cominco sold forward 24 per cent of its share of copper production from mines in North and South America for the period to May 1997 at an average price of US$1.01 a lb.

Recent drilling at the Red Dog mine in Alaska has uncovered a new deposit with grades of 12 per cent zinc, 4 per cent lead and two ounces of silver per tonne. The ore-body is deeper than the Aqqaluk deposit discovered last year.

Bernard Simon, Toronto

Setback for Ebner in UBS battle

Mr Martin Ebner, the Swiss financier, has suffered a legal setback in his long-running battle over the corporate governance of the Union Bank of Switzerland, the country's biggest banking group. The high court of the Canton of Zurich has rejected a request by Mr Ebner's BK Vision, an investment fund and UBS's biggest shareholder, to have a special investigator appointed to examine whether UBS had violated any laws in the execution of its extraordinary general meeting on November 22 1994.

The outcome of this meeting, which agreed the creation of a single class of bearer share, has been one of the main areas of contention between Mr Ebner and UBS's management. Mr Ebner, whose effective voting power was curtailed by the proposed new share structure, is seeking to have the decision of the meeting annulled in a separate court case, which is still pending before the commercial court in Zurich.

Although the ruling in the latest case will not directly affect the commercial court proceedings, UBS hopes its ruling on the legality of various share transactions at the time of the 1994 egm will put a "rapid end" to BK Vision's lawsuits, which are delaying the modernisation of its share structure.

BK Vision, which has yet to decide whether to appeal the latest decision, is still pressing the Zurich district attorney to launch a criminal investigation into Mr Robert Studer, UBS's new chairman, for allegedly causing wilful damage to the company when he was president of UBS. BK Vision has been ordered to pay the costs of the latest high court case and UBS has warned it might seek damages from BK Vision if the commercial court upholds its right to introduce its new share structure.

William Hall, Zurich

Banco di Napoli in labour deal

Unions and management at Banco di Napoli, the troubled Italian bank, yesterday signed an agreement on the reduction of labour costs, one of the conditions for the injection of new capital by the Italian treasury. Banco di Napoli's shareholders – now headed by the treasury itself with 53 per cent of the voting rights – are due to meet on July 30 or 31 to vote on the L2,283bn ($1.5bn) increase in capital for the loss-making financial institution.

The treasury has agreed to back the rescue plan on a number of conditions, including the participation of other banks. No bank has yet committed itself to converting existing loans into equity in Banco di Napoli, although Mediocredito Centrale, controlled by the treasury, and Banco Ambrosiano Veneto, one of the biggest private sector banks, are understood to be considering whether to take part.

Under the terms of yesterday's agreement, Banco di Napoli will save L66bn in labour costs this year and L154bn in 1997. More importantly, employees will be covered by national negotiations on wages and conditions, ending special treatment for the Neapolitan bank's staff.

Andrew Hill, Milan

Moulinex in the bathroom

Moulinex, the loss-making French kitchen appliances group, is considering branching out into the bathroom. Mr Pierre Blayau, chairman, made the disclosure at the company's annual meeting in Paris yesterday, but offered no further details. He said the company's first-quarter turnover, in the year started April 1 1996, had advanced by more than 5 per cent compared with year-earlier figures.

His upbeat comments, however, did not prevent Moulinex's shares falling FFr3.50, or 3.7 per cent, to FFr91.70. The meeting came a month after the group announced plans to cut its workforce by more than 20 per cent, and to close two French factories, as it reported the biggest loss in its history.

David Owen, Paris

COMPANIES AND FINANCE: EUROPE

AGF sells FFr5.3bn of property assets

By Andrew Jack in Paris

Assurances Générales de France, the privatised insurance group, yesterday announced a package of property sales totalling FFr5.3bn ($1.05bn).

It is the latest in a series of large deals on the troubled Paris market in recent weeks.

The board of the insurance group approved the sale of its 99.5 per cent stake in La Fourmi Immobilière, which holds a range of property assets, to Sefimeg, a quoted French property group, for FFr3.7bn, as well several smaller transactions.

A significant amount of the cash generated from the deals will be used to fund the new policy in its life assurance portfolio of more "mobile", short-term equity investment management, with an internal target of 10 per cent return a year.

After write-downs last year, the sales will provide AGF with an immediate income of FFr4.2bn and generate a capital gain of FFr339m in the 1996 accounts, as well as a further FFr30m gain which will be credited directly to the group's equity.

The transactions fulfil AGF's pledge when it was being privatised earlier this year to cut its FFr31bn property portfolio by about FFr5bn within the next two years.

A series of important deals is under way on the French property market, which has suffered a sharp decline in values in recent years.

Union des Assurances de Paris, another insurer, sold a portfolio of property loans for FFr3.2bn last month, and Suez, the holding company, is likely to complete a deal worth up to FFr11bn this year.

Senior AGF executives said they expected to increase gradually the proportion of the portfolio of investments held in equities, with more than two-thirds going to stock markets outside France, including Japan and Latin America.

La Fourmi's portfolio is 56 per cent 19th century Haussmann-style residential buildings, 24 per cent offices and commercial buildings and 20 per cent recent residential buildings. The transaction is at a 21 per cent discount to net asset value of FFr5.9bn.

In a second deal, AGF is selling a 66 per cent stake in a property company which owns five Paris residential buildings for FFr700m to Immobilière Batibail.

In addition, AGF has recently sold four properties for FFr150m, and plans to realise another FFr500m this year from sales of individual flats.

Norsk Hydro growth slows at halfway

By Greg McIvor in Stockholm

Norsk Hydro, Norway's biggest quoted company, disappointed the market yesterday by reporting slower first-half earnings growth because of weak market conditions in its petrochemicals and aluminium divisions.

Operating profits fell from NKr5.96bn to NKr5.75bn ($898m) in the first six months, about NKr300m below expectations. Second-quarter profits of NKr2.6bn were 17 per cent down on last time, excluding the effect then of a NKr755m special charge.

Shares in the conglomerate – whose activities range from oil, gas and electricity production to fertilisers, metals and chemicals – slid NKr7 to NKr287.

Mr Egil Myklebust, Norsk Hydro chief executive, attributed the second-quarter decline to lower hydro-power generation caused by unseasonally low rainfall last winter, and the purchase of electricity at high prices.

He said lower aluminium prices and narrowed margins for extrusion and rolled products also had an adverse effect. An 88 per cent profits slide in petrochemicals reflected a comprehensive maintenance shutdown and lower prices of PVC and vinyl-chloride monomer, a raw material for PVC.

At the post-tax level, higher tax provisions due to greater emphasis on offshore activities depressed net income from NKr4.1bn to NKr3.3bn. Turnover was NKr42.9, against NKr41.2bn.

Mr Peter Nicol, oil and gas analyst at Goldman Sachs in London, cut his full-year earnings forecast from NKr32 a share to NKr29. However, he

suggested the shares, trading on a multiple of 10, were at a discount and remained good value in the light of rising oil and gas production and continued progress in fertilisers.

Operating profits in agriculture, the largest division by sales, advanced from NKr1.6bn to NKr1.76bn because of higher fertiliser prices in Europe and slightly higher sales volumes in all markets.

The group said it expected fertiliser consumption in the European Union to grow by up to 2 per cent, following proposals from the European Commission to reduce set-aside acreage. Overall, however, market conditions would remain tight due to reduced world grain inventories.

The oil and gas division reported growth in operating profits from NKr1.3bn to NKr2.9bn. The group attributed the increase to a 14 per cent rise in oil and gas production in the second quarter to 3.8m tonnes of oil equivalents, while the price of crude oil rose by 14 per cent.

Czech power project wins IFC loan agreement

By Vincent Boland in Prague

A consortium of Czech and US energy companies is planning to develop one of eastern Europe's largest private sector power projects after securing an important loan agreement with the International Finance Corporation.

The IFC, the private sector arm of the World Bank, agreed last week to lend $125m to the consortium, to develop the project in the depressed steel town of Kladno, 30km north-west of Prague. The total cost of the project is put at $350m.

The ECKG team groups Independent Power, a unit of ACT of the US, and NRG Energy, a subsidiary of Northern States Power of Minnesota, with Středočeská Energetická (STE), the electricity distribution company for the Czech region of central Bohemia. A fourth industry investor is expected to join later this year.

The project involves the environmental upgrading of power generation facilities and the addition of two new coal-fired boilers and a gas-fired combustion turbine at Energy Centrum Kladno, a small generating company. The expansion will boost capacity at the plant from 28MW to 385MW. Construction is due to begin early next year.

ECKG secured a 20-year sales agreement last month with STE to distribute electricity from the plant, putting it in direct competition in the central Bohemia region with CEZ, the national state-controlled generator that supplies STE with nearly 95 per cent of its electricity.

The consortium on Friday also signed a 20-year coal supply contract with Ceskomoravské Doly, a local mining company. Heat from the plant will be sold to the town of Kladno.

The consortium partners have already committed some $100m in equity capital, and the IFC loan represents about half the debt that will be required to complete the project, from which power deliveries are expected to begin at the start of 1999.

The IFC package comprises a $45m loan on its own account, a syndicated loan of $65m, and convertible subordinated debt of $15m. Czech banks are expected to provide the bulk of the outstanding financing, which Mr Jacques Sicotte, president of Independent Power, said should be in place in "a few weeks."

The biggest customer of the Kladno plant has been the town's Poldi steel company, which is heavily in debt and reeling from bad management. The sales agreement with STE, as well as allowing the distributor to widen its supply base, allows the power plant to lessen its dependency on the steel company.

Total shrugs off Burma's politics

The French oil group's activities have generated widespread criticism

Politics often bubbles to the surface in the oil business, as Total, the French energy group, knows better than most.

The company has come under severe criticism this month for investing in Burma, after moves by beer groups Carlsberg and Heineken helped draw attention to a campaign by western pressure groups against the Rangoon military regime.

Ms Aung San Suu Kyi, the Burmese democracy leader and Nobel Peace Prize winner, last week claimed in an interview with Le Monde, the Paris daily newspaper, that the company had become "the principal support of the Burmese military system".

Total is developing the country's largest foreign investment project to date – a $1.3bn venture to produce natural gas for export to Thailand. Partners in the project include Unocal, the US oil company, Thailand's PTT Exploration and Production, and Myanmar Oil and Gas Enterprise of Burma.

The French group is also having to keep a weather eye on Washington, where the US Senate last week approved an amendment to toughen proposed laws providing for punitive measures against foreign companies investing in the Libyan and Iranian oil industries.

Total has interests in both these countries: it has started the pilot phase to develop Libya's Mabruk oil field and signed an agreement with Iran to develop two fields in the Gulf. It also has substantial US refining and marketing activities, leaving it vulnerable to any US sanctions if the present bill becomes law.

Kommunernes Pensionsforsikring, a Danish pension fund, last week sold its $10.45m holding in Total because of fears the oil company's Burmese investment might lead to an international boycott of its products. The move raises concern that that Total shares might carry an unacceptable level of political risk.

Thierry Desmarest: favours policy of 'economic opening' Reuter

Mr Daniel Valot, Total's managing director of exploration and production, thinks the political risk attached to Total is "infinitely lower" than it was 20 years ago, when its production was heavily concentrated in the Middle East and Algeria.

He says the company, which has insisted it intends to stay in Burma, realised it would not be "the easiest" country to operate in, but did not expect to have to deal with so much "disinformation" about its activities.

It was forced last week to issue a statement saying allegations made in a television programme were "entirely unfounded and contrary to reality". The statement said that it was "contrary to fact to suggest that Total uses forced labour or child labour of any kind, either directly or indirectly".

In a telephone interview, Mr Valot also took issue with Ms Suu Kyi, saying he did not see how it could be suggested that the Burma project contributed to the government's financial equilibrium. The Myanmar Oil and Gas Enterprise's holding in the project meant that it was now a source of expenditure for the government rather than revenues, which would not start to flow until about 2001.

Questioned on the Burmese investment at the company's annual meeting in June, Mr Thierry Desmarest, chairman and chief executive, indicated he hoped a policy of "economic opening" would facilitate the political and social evolution of the Burmese regime. "The evolution of a country has never been best served by completely isolating it", he said.

Total's shares have fallen back from recent highs of well over FFr380 to close yesterday at FFr351.70. But they have nevertheless still performed marginally better this year than the benchmark CAC-40 index – and markedly better than Elf Aquitaine, its main French rival.

As for analysts, it is fair to say they are not all wildly enthusiastic about the shares, even though Total has what one described as "one of the better exploration and production profiles kicking around". But their reservations are the result more of calculations suggesting the shares are fully valued compared with other integrated European oil companies, than of worries about adverse political developments.

As one London-based analyst said: "Twelve months on, Brent Spar has not affected Shell much at all, and I expect Total will be the same. International investors feel comfortable with the company's management style and commercial acumen. I am comforted by the depth of support in Europe against Senator Alfonse D'Amato [sponsor of the Iran-Libya bill]."

One recent political development – last week's acceptance by Mr Boutros Boutros Ghali, UN secretary-general, of Iraq's food-for-oil distribution plan – may even help the company rather than hinder it.

Mr Amir Rasheed, Iraqi oil minister, has indicated that French companies would be given priority in the purchase of Iraqi oil and the sale to Baghdad of food and medicines. The process will place $2bn worth of Iraqi oil on world markets in six months.

Some analysts even suggest that, far from selling their Total shares, investors should be thinking of buying more if the price drops much below its present level.

David Owen

NOTICE OF SCHEME MEETING

In the Supreme Court of South Africa (Witwatersrand Local Division) Case No. 98/15472

In the ex parte application of

Unisel Gold Mines Limited (Registration number 72/10540/06) (Incorporated in the Republic of South Africa) Applicant

Notice is hereby given that, in terms of an Order of Court, dated Tuesday, 9 July 1996, in the above matter, the Supreme Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of shareholders of the Applicant (other than Harmony Gold Mining Company Limited (registration number 05/38232/06) ("Harmony")) registered as such at the close of business on Monday, 19 August 1996 ("the scheme members") be convened under the chairmanship of Miranda Janet Feinstein, or, failing her, an independent person nominated by Bowman Gilfillan Hayman Godfrey Inc. for the purpose of considering and, if deemed fit, agreeing to with or without modification, the scheme of arrangement ("the scheme") proposed by Harmony between the Applicant and the holders (other than Harmony) of its issued shares ("the scheme shares").

The scheme meeting will be held at 10:00 (South African time) on Tuesday, 20 August 1996, in the boardroom of Randgold & Exploration Company Limited, 5 Press Avenue, Selby, Johannesburg, 2025.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973 explaining the scheme, the notice convening the scheme, the proxy form, and the Order of Court convening the scheme meeting are included in the documents sent to scheme members and copies may, on request by any scheme member during normal working hours, be inspected at or obtained free of charge from the registered office of the Applicant at 5 Press Avenue, Selby, Johannesburg and at the office of the Applicant's secretaries in the United Kingdom, Viaduct Corporate Services Limited, 19 Charterhouse Street, London EC1N 6QP.

Each scheme member may attend, speak and vote in person at the scheme meeting or may appoint any other person or persons (who need not be shareholders of the Applicant) as a proxy or proxies to attend, speak and vote in such scheme member's place.

The necessary form of proxy (green) is included in the documents sent to scheme members. Additional forms of proxy may be obtained on request from the registered office of the Applicant and its secretaries in the United Kingdom as set out above.

Each signed form of proxy must be lodged with or posted to Optimum Registrars (Proprietary) Limited, 4th Floor, Edura House, 40 Commissioner Street, Johannesburg, 2001 (PO Box 62391, Marshalltown, 2107) or the United Kingdom registrars, transfer and paying agents, Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by no later than 10:00 (South African time) on Monday, 19 August 1996 or handed to the chairman of the scheme meeting by no later than ten (10) minutes before the time for which the scheme meeting is convened.

Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said persons whose name stands first in the Applicant's share register in respect of such shares and his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

In terms of the Order of Court dated Tuesday, 9 July 1996, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as Counsel may be heard on Tuesday, 3 September 1996. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member at the registered office of the Applicant and at the office of the Applicant's secretaries in the United Kingdom at the time and place mentioned above for at least one week before the date fixed by the Court for the chairman to report back to it.

The scheme is subject to the fulfilment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Miranda Janet Feinstein
Chairman of the scheme meeting

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19 July 1996

Chinese group poised to buy Sun Hung Kai unit

By John Ridding in Hong Kong

Shares in Shanghai International, China's biggest securities company, were suspended in Hong Kong yesterday as its local arm appeared set to buy part of Sun Hung Kai & Co, one of the territory's oldest financial services groups.

Talks between the two companies are believed to centre on the sale of Sun Hung Kai's core securities business, in a deal estimated by some analysts at about HK$400m (US$52m). Sun Hung Kai & Co said that there had been "significant progress" but no agreement had yet been reached.

The sale would be the latest step in the expansion of mainland Chinese business in Hong Kong. It would also continue a significant restructuring at Sun Hung Kai & Co over recent months.

Sun Hung Kai & Co – which is separate from the large property group of that name, but which emerged from the same group of founding entrepreneurs in the 1960s – has recently seen the arrival of a new controlling shareholder. In May, the Allied Group bought a 33 per cent stake in the company for HK$743m, prompting speculation about further reorganisation.

Allied's move prompted surprise in Hong Kong. It came after a period of controversy around the finance, property and manufacturing concern. Its former chairman, Mr Lee Ming-tee, resigned in 1993 following a probe into practices at the group, although his family remains the biggest shareholder with a 24 per cent stake.

The arrival of Allied saw the disposal of the bulk of shares held by the Fung family, who had controlled the company since its foundation in the early 1970s. Mr Fung King-hey had built the group after a trio of Hong Kong's best-known businessmen had established Sun Hung Kai Enterprises as a large property and investment group and gone their separate ways. His associates, Mr Lee Shau-kee and Mr Kwok Tak-seng, then built two of Hong Kong's biggest property groups.

Having established itself as Hong Kong's largest Chinese-owned brokerage, Sun Hung Kai has found the going difficult over recent years. Its market share has eroded in the face of intensifying competition from local and international securities groups. In 1995, net profits fell by 32.5 per cent to HK$212.68m.

Shanghai International is thought to be interested in the core securities business of Sun Hung Kai & Co, and possibly in its commodities and foreign-exchange businesses. The mainland-backed group is part of Shanghai International Securities Co, which recently merged with Shanghai Shenyin Securities to form China's biggest broker.

Shanghai International is involved in loan financing, share dealing, and trading in index futures and options. Industry analysts said it would probably seek to finance any acquisition relating to Sun Hung Kai & Co through a rights issue.

CBA buys back A$1bn in shares

By Nikki Tait in Sydney

The Commonwealth Bank of Australia, the commercial bank that has just joined the private sector, said that it yesterday bought back 100m shares for cancellation from the federal government at a cost of A$1bn (US$790m).

The buy-back represents the final stage in the privatisation of the bank. The federal government disposed of the bulk of its remaining 50.4 per cent holding earlier this month. The shares were sold to investors on a partly-paid basis. The sale price was set at A$6.00, with a further payment of A$4.45 falling due in November, to raise around A$4bn.

The associated buy-back plan was approved by Commonwealth's shareholders in May, and will lift the total proceeds to the federal government to A$5bn. The stock was bought back at the first instalment price plus a "time value-adjusted" amount, equivalent to the second instalment. This gave an effective buy-back price of under A$10.01 a share.

Shares in CBA closed 4 cents lower at A$10.24 yesterday.

● Macquarie Bank, Australia's only big domestically-owned investment bank, yesterday moved a step closer to its launch on the stock market as shareholders approved necessary changes to its articles. No new shares will be sold through the listing, which could occur as soon as next week and is likely to value the bank at around A$1bn.

Mr David Clarke, chairman, told the bank's annual meeting that first-quarter earnings, to end-June, had been ahead of the comparable period a year ago. He said that the bank aimed to pay dividends of 55-60 per cent of after-tax earnings.

He declined to speculate on what the UK's Hill Samuel, part of the Lloyds TSB group, might do with its 13.8 per cent holding, although he claimed that Macquarie Bank has "a cordial relationship" with its largest single shareholder.

Telecom NZ may sell stake in Pacific Star

By Terry Hall in Wellington

Telecom New Zealand is considering selling all or part of its 51 per cent stake in its biggest unit, Pacific Star, which operates as a value-added service provider for a number of Australian state governments and large businesses.

The company said that it was reviewing its involvement in Australia because of changes in the telecommunications environment ahead of deregulation next year. "Like other industry players, we need to ensure we are well positioned," said Mr John Bell, general manager business development, who is also chairman of Pacific Star.

He added that Pacific Star had grown to be a significant unit with a strategic position in Australia, and recent developments at its principal supplier, Telstra, might mean it was no longer a "perfect fit". Mr Bell said it could be worth more to another operator.

Leeson Lager brewer seeks to draft in US investors

Limited edition beers are a speciality of micro-brewery operators such as South China Brewery

South China Brewery may list on Nasdaq, writes John Ridding

The company behind Leeson Lager, a special edition brew named after the rogue trader who brought down Barings Bank, is set to try its own luck on the international financial markets.

South China Brewery, which is based in Hong Kong, said yesterday that it was considering a listing on the US Nasdaq exchange to raise capital for expansion. This could include the establishment of micro-breweries in Singapore, Shanghai, and Thailand.

Micro-breweries, which produce small batches of premium beers, have experienced strong growth over recent years, particularly in the US, according to Mr Mark Wilson, sales director of South China Brewery. He points to an expanding market in Hong Kong and strong demand since the brewery opened last year.

"There is an increasingly sophisticated beer market in Asia", Mr Wilson says. "We are finding that the community is becoming more and more open to new ideas."

He accepts, however, that the leading international lager brands, with a lower alcohol content, are more suited to the "session drinking" which often accompanies after-hours business in Asia, and that image and status, developed through the advertising budgets of the big brewers, remain an important part of drawing Asian consumers.

Another problem facing the brewery is the lack of local ingredients. South China Brewery imports its barley from southern England, while its hops are flown in from the US and Belgium. They are transformed in Hong Kong into Dragon's Back, an Indian pale ale, and Crooked Island, a golden ale.

The Leeson lager, labelled with a picture of the infamous dealer under arrest at Frankfurt airport, was ordered by Mr Leeson's friends as a limited edition.

The lager was described as "US$1.4bn proof", in a reference to the losses chalked up by the Barings trader on his disastrous dealings in Nikkei index futures.

The Hong Kong Stock Exchange will only list companies with a three-year profits record.

This is one reason why the company is looking to Nasdaq's Smallcap market rather than the HKSE.

NEWS DIGEST

TNT to realign freight business

TNT, the Australian transportation group, is in effect to exit from the Australian general freight business. Part of its existing general freight operations will be transferred to its logistics division and other activities will be sold off or closed.

The company said that its "full container load" business, along with its Seafast and Country Bulk units, would be aligned with its existing logistics division. Meanwhile, the Ansett Freight Express and the "less than full container load" operations will be sold or closed.

The general freight headquarters will be progressively wound down and eventually shut.

"The soft exit from a major portion of the Australian general freight operations represents a substantial change…given TNT pioneered many developments in the general freight industry in Australia," Mr David Mortimer, managing director, said. But he added the decision was based on a belief that resources should be allocated to areas where TNT had a competitive advantage, and that the aim was to increase the group's focus on time-sensitive freight and logistics.

Last year, TNT's general freight revenues stood at A$822m (US$650m), although this figure included operations outside Australia. Pre-tax profit, meanwhile, dipped to just A$16.6m. Two months ago, the group also admitted that the Australian business had made a loss in the first nine months of the current financial year, to end-March, because of "lower volumes, pricing pressures, increased fuel costs and some additional restructuring costs".

The company warned it would be several months before any significant improvement emerged.

TNT shares closed down 1 cent at A$1.28 yesterday. The share price has been weak recently – earlier this month, it dropped to its lowest level since the boardroom upheavals of late-1993 – and there have been some calls for a faster rate of restructuring.

Nikki Tait, Sydney

Filinvest profits soar

Filinvest Development Corp, one of the Philippines' largest property and industrial development companies, yesterday said that net profits had jumped in the first six months of this year to more than double the level achieved for the whole of 1995.

Reaping the gains of the strong growth in the country's luxury and middle-income real estate sector, Filinvest said net profits rose to 1.84bn pesos (US$237m) in the first half of the year, most of which was accounted for by strong growth at Filinvest Land, its 70 per cent-owned subsidiary. FDC, whose shares closed 25 centavos down yesterday at 13.50 pesos, posted net profits of just 908m pesos in 1995.

Profits at Filinvest Land, which is the country's second largest homebuilder (after C&P Homes) with 27 projects around Manila and a landbank of more than 2,000ha, rose to 1.009bn pesos. Filinvest Land's separately listed shares, however, closed marginally lower yesterday at 10.50 pesos after brokers had widely discounted the subsidiary's improved results.

Analysts said that FDC, which is developing the 240ha Corporate City, one of the country's largest mixed-used development sites, in Alabang, south of Manila, was well-positioned to continue posting record earnings. Results for the subsidiary, Filinvest Alabang, were not disclosed.

With a minority stake in Fort Bonifacio Land, a 214ha joint venture in the centre of Manila which is billed as the country's largest real estate project, and projections of continuing strong demand for lots in the group's low-income housing sites, broker's say that FDC is best placed to challenge the supremacy of Ayala Land, the Philippines' largest property company.

Edward Luce, Manila

مكان الأصل

'Golden parachute' at EMI

By Alice Rawsthorn

Mr Jim Fifield, chief executive of EMI Music who is one of the highest-paid executives of a UK company, would be entitled to compensation of about £12m ($18.7m) based on last year's renumeration if he were to leave following a takeover bid.

The details of Mr Fifield's "golden parachute", which would be among the largest contractual pay-offs awarded to a director of a UK company, are included in documents published yesterday for the proposed demerger of Thorn EMI, the parent company of EMI Music.

The approach to Thorn EMI's demerger, scheduled for completion next month, has been clouded by speculation about a takeover bid for EMI Music, the only one of the world's "big five" record companies not already owned by a large entertainment or electronics group.

If the US-born Mr Fifield left EMI within a year of a change of control, he would receive three times his base salary and average annual bonus (each worth £1.923m in the year to March 31) plus various fringe benefits. His total benefits were valued at £270,000 during that period, when he was also awarded £2.29m in shares and £869,000 in pension contributions.

Sir Colin Southgate, Thorn EMI's chairman, said that Mr Fifield's compensation agreement was "standard" and had been part of the latter's contract since 1989 when he changed from a rolling contract to a three year one.

The same clause is included in Sir Colin's contract and those of Thorn EMI's other two executive directors, Mr Simon Duffy, finance director, and Mr Mike Metcalf, chief executive of the Thorn retail group. Sir Colin's package was worth £755,000 last year, including £506,000 base salary. Mr Duffy and Mr Metcalf received £293,000 and £313,000 respectively.

Mr Fifield's renumeration has long attracted controversy. Dubbed "Lucky Jim" in the City, he has consistently been among the highest paid directors of UK companies in recent years with packages worth £7.53m in the 1995 financial year and £8.04m in 1994.

Thorn EMI claims that Mr Fifield's renumeration is standard for executives of his calibre in the US music industry, adding that a large proportion of his package is performance-related.

The bespectacled Mr Fifield, 54, a mild mannered figure by music business standards, has presided over a significant improvement in EMI Music's performance since joining Thorn EMI in 1987. He is regarded in the industry as concentrating on structural issues such as costs, leaving artist relations to Mr Ken Berry, who joined EMI after its acquisition of Virgin Music.

Thorn EMI saw its shares fall by 42p to £16.93 in a weak stock market yesterday after announcing a 13.1 per cent increase in profits before tax and exceptional items to £68m ($60.1m) for the three months to June 30, on turnover up 5.5 per cent to £1.11m (£1.05m). Sir Colin said the outlook for the full year was positive for both Thorn and EMI.

Sir Colin Southgate: Fifield's compensation deal was standard

Lotus owner agrees to an immediate sale

By John Griffiths

Mr Romano Artioli, owner of Lotus, the UK sports car and engineering concern, has agreed to an immediate sale of the company and to sever his connections with it, following an ultimatum by the company's directors that they would otherwise call in receivers.

Mr Neeraj Kapur, finance director and effectively chief executive, and fellow UK directors of Lotus reached the agreement with Mr Artioli after making the receivership threat during a meeting with Mr Artioli at the company's Hethel, Norfolk, headquarters on Friday night.

They told the Italian entrepreneur, whose other car company, Bugatti, is already in receivership, that Lotus is experiencing increasing difficulties because of uncertainty over Mr Artioli's intentions towards Lotus.

Major customers of Lotus's engineering division, currently by far Lotus' biggest single source of income, have begun witholding new contracts until the ownership issue is settled.

Although Lotus recently filed accounts showing that it made substantial profits last year, its income stream is drying up at the time that it is spending heavily to bring into full production the Elise, its new aluminium-bodied small sports car launched recently to much motoring press acclaim.

Mr Artioli was warned that Lotus' directors had a statutory duty to put the interests of creditors before his own, if the situation remained unresolved and Lotus appeared likely to face financial difficulties.

Lotus' engineering customers include General Motors, the world's biggest vehicle producer, and other major motor manufacturers. Initially uneasy about the prospects for Lotus' future when Bugatti collapsed, they became alarmed when Mr Artioli began negotiations to sell Lotus to Daewoo, the Korean vehicle maker, for a reputed £60m ($93.6m).

GM, Lotus' former owner, told Lotus it would take its business elsewhere in the event of a Daewoo takeover.

It is understood that at least one group of potential investors acceptable to Lotus engineering customers is ready to sign a deal to acquire all or part of Lotus "within a few days".

Brazilian arm sold by Reckitt & Colman

By Geoff Dyer

Reckitt & Colman, the UK household products group, has sold its 80 per cent stake in a Brazilian paints and coatings business for £48.1m ($74.8m).

The disposal, which had been flagged for some time, forms part of the group's strategy over the last three years of selling non-core businesses and concentrating on retail household products.

The Brazilian company, Globo SA Tintas e Pigmentos, has been bought by Bayer, the German drugs and chemicals company, and The Sherwin-Williams Company of the US for £60.1m. Globo makes synthetic iron oxides in Latin America, and is the fifth largest paint producer in Brazil.

Bayer will retain Globo's iron oxide activities while Sherwin-Williams will operate the coatings business. The two will retain Globo's brand names. In 1995 Globo made pre-tax profits of £8.9m, of which the contribution to Reckitt was £7.1m and earnings of £4m, £3.2m of which went to Reckitt. Globo's net assets were £15.6m at the year-end, of which Reckitt's share was £12.5m.

The deal means that Reckitt, which retains a large household products business in Brazil, has raised £400m from the sale of non-core businesses in the past three years.

In 1994 when it unveiled the £980m acquisition of L&F Household, a large US household product supplier, the group announced a series of disposals to reduce debts.

These included the £243m sale in April, 1995 of Colman's of Norwich, its UK food business, to Unilever, and other small businesses.

Costain's rescue share issue wins approval

By Jane Martinson and Andrew Taylor

Costain shareholders approved a £73.6m ($114.6m) rescue share issue yesterday as the scheme gained last-minute backing from one of the group's largest investors, which had previously opposed the deal.

Raymond International, a Saudi Arabian-based construction company which owns 19 per cent of the group, had previously indicated that they would vote against the proposal.

However, its vote at yesterday's extraordinary meeting helped the UK construction company pass its plan by 76.5 per cent of the shareholders voting.

The shares rose 7p to 46p after the group's listing was restored at 3.15pm.

Mr Alan Lovell, chief executive, said yesterday: "While it is noteworthy that we would have won without [Raymond's support] we are absolutely delighted that they did come in with us."

Mr Lovell felt the "astonishing" amount of support was due to the company's "frankness about the alternative" as well as the positive aspects of the deal. Costain had warned that it would be forced into receivership if shareholders blocked the issue.

Under the deal Intria, a Malaysian construction company which is underwriting a large part of the issue, is expected to be left with a stake of up to 40 per cent of the enlarged capital.

Kharafi, the Kuwaiti industrial conglomerate, voted its 19 per cent stake against the deal. Last that the company said it was considering its options while Raymond International was unavailable for comment.

Mr Lovell said Costain wrote to the Kuwaiti group immediately after the meeting and was "endeavouring to continue good trading relations". Costain is currently working with Kharafi on "three or four contracts".

In spite of the uncertainty over this relationship, Mr Lovell said: "What particularly pleases me about this is that we now have substantial shareholders in each of the two principal overseas markets". These markets are South East Asia and the Middle East, he said.

Shareholders who decide to take up the offer of three new shares at 50p for every one owned will first dent the holding of a number of banks, which are underwriting the rest of the deal with Intria.

The open offer closes on Saturday and the result should be announced on Monday.

After the new issue, net debt, which stood at £78m at December 31, will be reduced on a proforma basis to £3m.

Signet selling two UK chains for £280m

By Simon Kuper

Signet, the indebted jewellery group that used to be called Ratners, is to sell its two UK chains to venture capitalist Apax Partners for £280m ($437m) this week. The takeover will be one of the largest in British retail history in recent years.

Apax will then integrate the premium Ernest Jones chain with Goldsmiths, the jeweller in which Apax may buy a large stake. Goldsmiths' market value was £69.9m yesterday after the shares rose 8p to 315p.

The mass market H Samuel chain may also be initially integrated with Goldsmiths. Mr Jurek Piasecki, Goldsmiths' chairman and chief executive, hopes to sell the chain to Argos, the catalogue retailer, for more than £300m. However, when Argos tried to buy the chain from Signet this spring it bid well below that figure.

Signet has struggled with debt after acquisitions made by group founder Mr Gerald Ratner in the 1980s were followed by a collapse in the jewellery market at the start of the 1990s. Mr Ratner caused a furore in 1991 by calling one of his decanter sets "total crap". He also said the fashion jewellery his chains sold was about as cheap and durable as a Marks & Spencer prawn sandwich.

Signet refused to comment yesterday on the disposal. But it said that if the chains were sold it "would be using the proceeds to reduce borrowing". The group had net debt of £308.2m at its February 3 year-end.

It also owes preference shareholders about £185m in unpaid dividends, while redeeming their shares would cost well over £300m. Signet had initially sought close to £300m for the chains, while Apax and Goldsmiths wanted to pay £250m. Most analysts believe Signet has achieved a good price, particularly since Apax was thought to be the only remaining bidder.

Signet raised UK operating profits on continuing businesses 12 per cent to £18.1m last year, after group and other costs. Its UK and Ireland turnover was £336.8m.

But after a modernisation drive, Ernest Jones sales were 20 per cent ahead after just under three months of this year. H Samuel sales were 2 per cent up, with the chain's modernisation due to start in August. "H Samuel has passed its nadir," one analyst said.

Sterling, Signet's one remaining business based in the US, reported pre-tax profits of £45.9m on sales of £557.9m last year.

An analyst said: "Signet is left with a peculiar structure, because it will have an American business but a London HQ and a shareholder list over here." The group is likely to move its head office to the US.

Signet will also resume talks with its preference shareholders to restructure its capital base. The preference holders will probably be asked to renounce some of the dividends they are owed, after which the group would aim to convert their shares into ordinaries.

T&N in £41m sale of aerospace arm

By Ross Tieman

T&N has sold its aerospace business, AE Turbine Components, for £41m ($64m) freeing resources for the further development of its core automotive and engineering operations.

The buyer is Precision Castparts of Portland, Oregon, in the US. It first expressed interest nine years ago after T&N acquired the business, which makes blades for aircraft engines and power generation turbines, through the takeover of AE in 1987.

Sir Colin Hope, the T&N chairman, said his company had realised a higher price for the business by improving its management, reducing its dependence upon Rolls-Royce – once its dominant customer – and waiting for an upturn in the industry cycle.

"AE Turbine Components, although now a strong business, is not within T&N's mainstream operations," he said.

Although T&N has virtually completed its withdrawal from the asbestos industry, it is still fighting a rearguard action against lawsuits for damages.

Sir Colin said T&N was expecting to return to court in the US in October as part of its effort to demonstrate that the outstanding cases there should be treated as a class action, limiting the company's liability.

Lloyd's agencies to merge

By Jim Kelly, Accountancy Correspondent

Four Lloyd's members' agencies are to merge to form one of the largest agencies in the insurance market as part of a continuing trend towards consolidation.

Members agencies help investors, or Names, select syndicates.

RFKershaw, Castle Members Agents, Holman Macleod and Marlborough Underwriting Agency will form Greenwich Lloyd's Underwriting for the 1997 year of account. Their combined underwriting capacity in 1996 was £487m ($760m) and after the merger it will have about 1,000 Names.

The move is designed to make more resources available to provide risk analysis of syndicates. Separately, four of the seven syndicates managed by Kiln, the managing agency, are to merge. They are 123 (marine), 510 (non-marine), 603 (motor), and 955 (aviation). The merged syndicate will have an underwriting premium income capacity of about £300m in 1997, making it one of the largest in the market.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
[illegible]	6 mths to Mar 31	-	(-)	0.158L	(0.045)	1.23L	(0.3)	nil	-	nil	-	nil
CCI Holdings	6 mths to June 30	1.3	(1.22)	0.115	(0.082)	10.1	(6.5)	-	-	-	-	-
Copyright Promotion	Yr to Apr 30☆	6.38	(4.12)	0.303	(0.478)	2.46	(3.78)	1	Oct 1	-	1.5	1.5
[illegible] Business	6 mths to May 31	5.59	(3.61)	0.388♠	(0.052L)	[illegible]	(0.02)	0.55	Oct 18	-	0.55	-
Leeds	6 mths to Mar 31	8.7	(8.47)	0.127L	(0.221L)	11.2L	(14L)	nil	-	nil	-	1
Thorn EMI	3 mths to June 30	1,108	(1,048)	108.8♥	(63.7♥)	[illegible]	(8.4)	-	-	-	-	[illegible]
Tomorrows Leisure §	Yr to Mar 31	7.92	(8.58)	0.088	(1.39♥)	0.04†	(2.86)	nil	-	nil	nil	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ◊Aim stock. §USM stock. ☆Comparatives for 259 days

Rate cut hopes lift European sector

By Samer Iskandar in London and Lisa Bransten in New York

Bond markets in Europe were supported yesterday by rising hopes of a cut in the Bundesbank's repo rate, to be followed by similar decisions from other central banks.

The speculation was fuelled late last week by comments from Mr Hans Tietmeyer, Bundesbank president, who hinted the German central bank was still in an "easing mood", and reinforced by slightly weaker than expected M3 monetary growth figures.

Julius Baer Investments considers that the subdued business climate in Germany, the latest M3 data and Mr Tietmeyer's comments pave the way for a 5 basis point cut in the repo rate, or a move to variable rate repos.

UBS in Frankfurt says a "5 basis point reduction this week seems possible", while economists at Crédit Lyonnais predict that "there is a 60 per cent chance of seeing a [10 basis point] cut in the repo".

The bund market was buoyed by this speculation. Liffe's September bund future settled at 96.85, up 0.08, and reached a high of 96.94 in after-hours trading. In the cash market, the 10-year benchmark bund was 0.09 higher at 98.96.

However, Crédit Lyonnais warned that the monetary easing had been fully anticipated. Observers also said it was unlikely that the market would rise much after a rate cut.

One futures trader said that if the Bundesbank eased the repo rate, the result "could be a typical case of 'buy the rumour, sell the fact'".

Meanwhile, traders with direct access to the futures trading pits said large institutions yesterday initiated curve steepening trades – selling futures on long-term bunds and buying futures on three-month euromark rates.

GOVERNMENT BONDS

■ Europe's high-yielding markets benefited most from the rate cut speculation. Italian BTPs ended the day sharply higher. Liffe's September BTP future settled at 117.55, up 0.93. In the cash market, the 10-year yield spread of BTPs over bunds tightened to 289 basis points, from around 310 points late last week.

Economists said preliminary inflation data from the largest cities indicated a marked slowdown in the annual rate of growth of consumer prices to around 3.5-3.7 per cent, from 3.9 per cent last month.

Bear Stearns in London said this gave the Bank of Italy "ammunition to cut rates". It predicted that the 10-year yield spread over bunds would continue to tighten towards the 275 basis point mark.

■ US Treasury prices rebounded from early weakness as the equity market resumed its downward course.

Declines in bond prices overseas carried into US trading in the early part of the session, but prices began to reverse course after shares showed signs of weakness at the 9:30am opening of the market.

Near midday, the benchmark 30-year Treasury had added ¼ to 88$\frac{1}{32}$ to yield 6.951 per cent, the two-year note was $\frac{1}{32}$ higher at 100$\frac{1}{32}$, yielding 6.178 per cent and the September 30-year bond future was up $\frac{5}{32}$ to 109$\frac{7}{32}$.

Investors were focused on the volatility in the equity market and on new supply due to come on to the market today and tomorrow when the Treasury Department auctions $18.75bn of two-year notes and $12.5bn of five-year notes.

Mr Alan Greenspan, chairman of the Federal Reserve, is to deliver a second round of testimony about the economy today. He was not expected to differ in his comments from what he told the Senate last week, but investors hoped he might clarify those comments, which were interpreted by the markets as reducing the chances of an interest rate increase next month.

New president for EdP before offer next April

By Peter Wise in Lisbon

A new president is to take over at Electricidade de Portugal, the national power company, before a global offer of 20 to 25 per cent of the group next April in Portugal's biggest privatisation to date.

Mr Joaquim Silva Correia, who presided over a sweeping restructuring of the group following his appointment as president in 1992, is to step down in October.

EdP, which is 100 per cent state-owned, said yesterday the outgoing president, whose contract officially ends in December, wished to make way for a successor before the privatisation process began in earnest.

"There has been no disagreement and no drama," EdP said. Mr Rui Sérgio, a former planning director at EdP, has been tipped as the most likely successor.

Shortly before announcing his decision, Mr Silva Correia said in an interview that 20 to 25 per cent of EdP, a holding company for 22 companies covering electricity production, transmission, distribution and related services, was expected to be sold in a global offer in the first half of April.

INTERNATIONAL EQUITY ISSUES

A secondary offering taking private ownership up to 49 per cent is due to be made in 1998, under plans drawn up by the socialist government which took office last November. The state is to retain majority control indefinitely.

Two international consortia are due to be appointed as independent evaluators of EdP by August 1. One of the two will later be selected as the global co-ordinator for the initial public offering, which is expected to be made in Lisbon, London and New York.

Mr José Penedos, secretary of state for energy and industry, said recently he expected the group to valued at about Es1,400bn ($9.1bn). His remarks drew criticism from some analysts, who suggested he was pre-empting the work of the evaluators.

Mr Silva Correia, appointed by the previous centre-right government, led a successful restructuring of EdP that involved dividing a single monolithic enterprise into a group of 22 separate units, co-ordinated by a holding company.

Efficiency improvements from the restructuring helped EdP more than double net consolidated profits to Es66.3bn in 1995. In the same year, the group reduced its accumulated debt by Es91bn.

Over the past four years EdP has also reduced electricity tariffs by 30 per cent and 10 per cent for industrial and domestic consumers, respectively.

Strong demand for tightly-priced Slovenia debut

By Conner Middelmann

The Republic of Slovenia made a splash yesterday with its euromarket debut, which attracted such demand from investors that it was increased within half an hour of launch.

The five-year issue, upped to $325m from the original $250m, was the most tightly priced offering to emerge from central and eastern Europe.

INTERNATIONAL BONDS

Yielding 58 basis points over US Treasuries at the re-offer price, it beat the Czech Komercni Banka, which recently sold five-year dollar bonds at 78 basis points over Treasuries, and Poland, which two weeks ago priced five-year D-Mark bonds to yield 65 basis points more than the German government's five-year notes.

After the bonds were freed to trade, the spread narrowed further to 56 basis points, according to an official at lead manager J.P. Morgan. "We would have liked to increase the issue even more, but were limited by Slovenia's foreign-currency borrowing limit," he said.

About 42 per cent of the offering went to European accounts, 37 per cent to US accounts under Rule 144a, and the remainder to Asia and the Middle East, he said.

Slovenia boasts the highest credit ratings among Europe's transition economies: A3 from Moody's and A from S&P.

Another emerging-market debut was a £100m five-year offering for the Republic of Argentina – its first foray in the sterling market.

The deal was slower to take off, partly because Argentina – which has raised some $5bn in the international markets this year and has another $2bn to do – does not have the same rarity appeal as Slovenia. Also, the disappointing performance of Brazil's recent sterling issue has made many UK institutions wary of Latin issues.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Republic of Slovenia#	325	7.00	99.28R	Aug 2001	0.50R	+58(a)	JP Morgan Securities
Morgan Guaranty Trust	300	6.75	99.58R	Aug 2001	0.25R	+18(6¾%-01)	JP Morgan
Krung Thai Bank‡	200	(b)	100.00	Aug 2006	0.41	-	SBC Warburg
■ D-MARKS							
Saint Georges‡	200	(c)	99.88R	Aug 2001	0.20R	-	UBS Deutschland
■ YEN							
IBRD*	10bn	6.62	100.00	Aug 1998	1.80	-	IBJ Intl/New Japan Secs
■ STERLING							
Republic of Argentina	100	11.50	99.81R	Aug 2001	0.75R	+390(7%-01)	SBC Warburg
■ LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	(d)	Sep 2002	1.875	102.75	-	Kredietbank Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. * Unlisted. § Convertible. ф With equity warrants. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) +58bp (WI 5-yr US Treasury. b) 6-mth Libor +77bp for years 1–5; thereafter 6-mth Libor +200bp. Callable from Aug 2001 at par. c) 3-mth Libor +15bp. d) 5¼% for years 1–3 then 7%

Compared with Argentina's outstanding five-year dollar global bonds, which yield around 400 basis points over Treasuries, the 390 basis point spread over gilts was hardly generous, although many dealers deemed it fair. Lead manager SBC Warburg said 35–40 per cent was placed with UK institutions and the rest sold to European investors.

Argentina is rumoured to be looking at the D-Mark market again, with Frankfurt dealers talking of a DM500m–DM750m offering in the three-year to five-year sector.

The D-Mark market is also poised for another asset-backed offering this week, expected to be DM1bn of five-year bonds backed by credit-card receivables for Capital One Master Trust, the ninth-largest US credit card company. MBNA America Bank and Citibank are also said to be planning credit-card backed deals in the D-Mark market.

Also in the D-Mark sector, Cades, the French social security agency, is thought to be considering a 10-year offering totalling between DM3bn and DM5bn later in the summer.

Mexico may increase FRN

By Peter John

Bankers handling Mexico's $3bn hybrid floating-rate note and loan issue believe heavy demand could virtually double the size.

Lead managers SBC Warburg and J.P. Morgan will announce any change in the amount by Thursday, the deadline for subscriptions.

If they reach agreement to increase the five-year loan to between $5bn and $6bn, the decision will result in the biggest single-tranche sovereign loan.

The current record for such a loan was set by the UK government, which launched a 10-year FRN issue in 1986 amounting to $4bn.

Any change in the size of the issue, which was announced two weeks ago, must be agreed between the Mexican government and the lead managers.

One banker involved in the deal said yesterday: "We have had such strong demand that the amount might be increased".

Another banker said: "Although nothing is concrete, the Mexicans have made no secret of the fact that they would be happy to increase [the issue] if there was overwhelming demand."

Mexico will use the cash to repay part of the $10.5bn it still owes to the US Treasury, which provided $20bn in aid last year in an attempt to resolve the 1994 financial crisis.

One principal reason for the unusually heavy interest lies with Moody's and Standard & Poor's, the two US credit ratings agencies.

Because the notes receive credit support from exports of crude oil and oil derivatives, both agencies have given them an investment grade rating. That values them more highly than Mexico's foreign currency debt.

The rating is provisional and will not be fully assigned until the issue legally closes in mid-August. Both agencies will also re-examine their ratings in the event of any alteration to the details – such as a change in size.

Nevertheless, Mr David Bigelow of S&P said a bigger loan would only pose a problem if Mexico were to create a situation of having a potential pledge on more of its export revenues.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.1010	-	8.88	8.88	9.07
Austria		6.250	05/06	97.5700	+0.120	6.43	6.50	6.54
Belgium		7.000	05/06	101.8500	+0.090	6.73	6.82	6.72
Canada *		7.000	12/06	98.5400	-0.070	7.63	7.71	7.80
Denmark		8.000	03/06	104.8400	+0.100	7.27	7.36	7.46
France	BTAN	5.750	03/01	101.2800	+0.120	5.39	5.61	5.57
	OAT	7.250	04/06	106.3000	+0.190	6.37	6.50	6.51
Germany Bund		6.250	04/06	98.9600	+0.090	6.39	6.52	6.54
Ireland		8.000	08/06	102.6300	+0.080	7.58	7.61	7.78
Italy		[illegible]	02/06	102.5300	+0.850	9.10†	9.19	9.45
Japan	No 140	6.600	06/01	118.6252	+0.100	2.36	2.35	2.55
	No 182	3.000	09/05	97.6182	+0.100	3.34	3.29	3.24
Netherlands		6.000	01/06	97.6200	+0.080	6.35	6.46	6.40
Portugal		11.875	02/05	119.1000	+0.400	8.61	8.71	8.95
Spain		8.800	04/06	100.9600	+0.490	8.63	8.73	9.11
Sweden		6.000	02/05	88.6486	+0.230	8.23	8.32	8.57
UK Gilts		8.000	12/00	103-02	-3/32	7.16	7.12	7.27
		7.500	12/06	97-05	-2/32	7.90	7.89	8.03
		9.000	10/08	107-16	-2/32	8.02	8.00	8.14
US Treasury *		7.000	07/06	101-18	-7/32	6.78	6.86	6.97
		6.000	02/26	87-31	-6/32	6.97	7.02	7.10
ECU (French Govt)		7.500	04/06	104.4400	+0.220	6.80	6.96	6.98

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest / Treasury Bills and Bond Yields

Prime rate	8¼	One month	-	Two year	6.21
Broker loan rate	7	Two month	-	Three year	6.38
Fed funds	5¼	Three month	5.28	Five year	6.58
Fed funds at intervention	-	Six month	5.50	10-year	6.80
		One year	5.83	30-year	6.95

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	122.88	123.18	+0.28	123.20	122.88	52,190	182,067
Dec	121.54	121.80	+0.26	121.90	121.54	913	31,332
Mar	121.30	121.56	+0.26	121.48	121.30	146	2,239

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
120	-	-	-	0.01	0.07	-
121	2.15	-	-	0.01	0.12	-
122	1.16	1.40	-	0.02	0.25	-
123	0.28	0.71	0.68	0.11	0.57	-
124	-	0.27	0.38	-	1.11	-

Est. vol. total, Calls 27,930 Puts 22,624. Previous day's open int., Calls 120,795 Puts 148,123.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.98	96.77	-0.12	97.05	96.63	125072	220960
Dec	95.85	95.85	-0.13	95.97	95.74	663	7250

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9650	0.39	0.73	0.62	0.85	0.04	0.38	1.09	1.42
9700	0.10	0.48	0.35	0.65	0.25	0.61	1.42	1.72
9750	0.01	0.26	0.23	0.49	0.65	0.91	1.80	2.06

Est. vol. total, Calls 18108 Puts 14079. Previous day's open int., Calls 179169 Puts 159954

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.55	116.82	+0.29	117.30	116.48	34114	59309
Dec	-	115.91	+0.28	-	-	0	3174

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11750	0.93	1.52	0.86	2.19
11800	0.69	1.29	1.14	2.46
11850	0.49	1.12	1.44	2.79

Est. vol. total, Calls 10080 Puts 7845. Previous day's open int., Calls 84473 Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.74	102.08	+0.50	102.22	101.72	59,734	54,865

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-29	106-26	-0-04	107-02	106-22	20713	130880
Dec	106-01	106-01	-0-03	106-01	106-01	100	579

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
106	0-49	1-18	1-11	1-44	0-03	0-38	1-16	1-48
107	0-06	0-46	0-48	1-14	0-28	1-00	1-52	2-16
108	0	0-23	0-29	0-55	1-18	1-41	2-33	2-58

Est. vol. total, Calls 1121 Puts 721. Previous day's open int., Calls 28381 Puts 25633

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.72	91.76	+0.20	91.78	91.62	1,450	8,385
Dec	89.96	90.06	+1.06	89.96	89.96	600	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	109-00	109-00	-0-02	109-05	108-28	195,182	452,211
Dec	108-17	109-18	+0-01	108-19	108-16	1,013	19,703
Mar	-	108-05	-	-	-	193	3,103

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% Jul 19

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.35	-	-	118.37	118.26	1727	n/a
Dec	117.31	-	-	117.31	117.29	135	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jul 22	Day's change %	Fri Jul 19	Accrued interest	xd adj. ytd		Low coupon yield Jul 22	Jul 19	Yr. ago	Medium coupon yield Jul 22	Jul 19	Yr. ago	High coupon yield Jul 22	Jul 19	Yr. ago
1 Up to 5 years (22)	122.30	-0.02	122.39	2.74	5.12	5 yrs	7.29	7.27	7.99	7.34	7.32	7.99	7.42	7.40	8.07
2 5-15 years (20)	146.57	-0.08	146.69	3.24	6.39	15 yrs	8.13	8.12	8.34	8.14	8.12	8.36	8.21	8.21	8.47
3 Over 15 years (8)	161.25	-0.14	161.47	3.61	6.43	20 yrs	8.22	8.22	8.37	8.22	8.21	8.39	8.27	8.26	8.48
4 Irredeemables (6)	183.95	0.24	183.51	3.08	6.35	Irred.†	8.27	8.28	8.47						
5 All stocks (56)	142.07	-0.07	142.16	2.66	5.97										

Index-linked	Mon Jul 22	Day's change %	Fri Jul 19	Accrued interest	xd adj. ytd		Inflation 5% Jul 22	Jul 19	Yr. ago	Inflation 10% Jul 22	Jul 19	Yr. ago
6 Up to 5 years (1)	198.24	0.01	198.22	2.12	4.43	Up to 5 yrs	2.68	2.67	3.34	1.05	1.04	1.58
7 Over 5 years (11)	187.35	-0.02	187.39	1.12	2.79	Over 5 yrs	3.78	3.77	3.68	3.56	3.55	3.48
8 All stocks (12)	187.47	-0.03	187.50	1.14	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16	Yr ago	High*	Low*
Govt. Secs. (UK)	92.95	92.86	92.90	92.81	92.82	92.31	96.34	91.59
Fixed Interest	112.92	112.81	112.82	112.48	112.51	110.93	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15
Gilt Edged bargains	87.2	97.8	106.7	101.0	82.5
5-day average	95.1	92.7	89.6	84.0	79.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96⅞	97⅛		7.08
ABN Amro Bank 7¼ 05	1000	99¼	99½	-⅛	7.50
African Dev Bk 7¾ 23	500	99¾	96¼		7.76
Alberta Province 7⅝ 98	1000	102¼	102½		6.51
Asian Dev Bank 6¼ 05	750	94½	94⅞		7.19
Austria 8½ 00	400	105⅞	105⅝		6.71
Baden-Wuert L-Fin 6⅛ 00	1000	104	104¼	-⅛	6.78
Bancomext 7¼ 04	1000	81⅞	82⅞	+⅛	11.12
Sweden 8 97	2500	103¾	103⅞	+⅛	3.72
United Kingdom 7¼ 97	5500	104⅛	104¼		3.71
Volkswagen Intl Fin 7 03	1000	109⅞	109⅝		6.37
World Bank 0 15	2000	31	31¼		6.22
World Bank 5⅞ 03	3000	99⅞	99¼		5.88
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	35½	35¾	-¼	5.44
Austria 4½ 00	1000	103¾	104		3.38
Abbey Natl Treasury 8 03 £	1000	101¼	100½	-⅛	7.94
British Land 8⅞ 23 £	150	90⅞	90⅝	-⅛	10.14
Denmark 6⅛ 98 £	800	100¼	100½		6.81
Depfa Finance 7⅛ 03 £	500	95	95¼	-⅛	8.05
EIB 0 01 £	1000	101	101¼	-⅛	7.80
Glaxo Wellcome 8¾ 05 £	500	101⅞	102		8.44
Hanson 10⅝ 97 £	500	104½	104⅝	+⅛	8.44
HSBC Holdings 11.69 02 £	153	115¼	116⅛	-⅛	8.26
Italy 10½ 14 £	400	113¼	113⅝	-⅛	8.97
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	0.81	5.54	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996	9.87	5.03	101⅜	[illegible]	104⅞	101⅜
Treas 13¼pc 1997	12.77	5.53	103⅞	[illegible]	108⅞	103⅞
Exch 10½pc 1997	10.22	5.63	102⅞	[illegible]	105⅞	102⅞
Treas Cnv 7pc 1997	6.91	5.72	101⅜		101⅞	99⅞
Treas 8¾pc 1997	8.49	5.84	103⅞		104⅞	102⅞
Exch 15pc 1997	13.51	5.85	111		116⅞	111
[illegible]						

Index-Linked and Other Fixed Interest: [illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. [illegible]

مكتبة الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar loses ground on fears of Japanese rate rise

By Philip Gawith

The dollar yesterday remained under pressure on the foreign exchanges as concern about a near term tightening in Japanese interest rates maintained the bearish sentiment which set in last week.

The Bank of Japan today publishes its quarterly economic bulletin, and this has provided markets, especially in the Far East, with a convenient peg on which to hang their interest rate arguments.

The dollar closed in London at Y107.7, its weakest level in about two months, from Y108.235 on Friday. It was firmer against the D-Mark following weekend comments in the German press from Mr Hans Tietmeyer, the Bundesbank president, saying he saw no reason why the dollar should not return to recent highs, or even exceed them. It closed at DM1.4863, from DM1.4885.

The D-Mark was generally weaker following Mr Tietmeyer's comments, which renewed focus on the possibility that the Bundesbank will trim the repo rate when it meets on Thursday ahead of its summer recess. The repo rate has been at 3.30 per cent since February 1. Markets are also *anticipating cuts in Italian and* Spanish interest rates, and these pushed the lira and peseta to lows around L1,017 and Pta84.57 against the D-Mark.

Sterling traded steadily following its recent sharp losses, with the trade weighted index finishing unchanged at 84.7.

■ The dollar's troubles against the yen appear to be a combination of both interest rate and political factors. Worries about higher interest rates are being compounded by renewed concern about political friction between the US and Japan, with trade talks between the two countries apparently not making much progress.

Talk of a weaker dollar is partially borne out in the monthly survey published by London-based Consensus Economics. Although the panel of 60 forecasters is not forecasting much movement in the year ahead – it is forecasting Y107 in July 1997 (against Y110.3 when the forecast was made) – the balance of risk clearly favours a stronger yen. The *panel estimates that there is a* 33 per cent probability that the yen will appreciate by more than five per cent, compared with only a 20 per cent risk of a decline of more than five per cent.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, believes that the poor US trade data which emerged last week could *mark a return to the period* when "structural imbalances" dogged the dollar. "There is every possibility of returning to the mid-Eighties when if you could call the trade data you could call dollar/D-Mark. Markets will start asking: who will *fund the current account deficit* if central banks don't want to buy dollars?"

One slightly contrarian view on the dollar/yen rate comes from Mr Carl Weinberg, chief economist at High Frequency Economics in New York. "We do not believe *fluctuations* in short-term interest rates affect this cross-rate in the short term...shaving 50 basis points off a 465 basis point spread will not move much money very far. We continue to see the yen-dollar rate as a political matter, not an economic result." He argues that the *BOJ will not tolerate the dollar* lower than Y108.

■ A key factor for the dollar in the weeks and months ahead *will be the performance of US* asset markets. In recent weeks the dollar has been pulled *lower* by weakness in the US stock market. Mr Philippe Jordan, senior vice president at Daiwa Securities in New York, comments: "The dollar is hang*ing on to the price of IBM* – that is not a healthy situation."

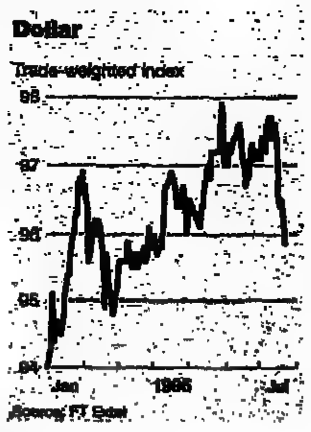
Mr Jordan notes that a further factor in the dollar's fall has simply been the market joyously capitalising on the first glimmer of momentum *following* a *protracted period of calm.*

He believes that further stock-market declines could be very positive for US treasuries. *The imbalance* in cash inflows, in favour of equities, has recently been so large that even a small shift towards bonds could make a big difference.

A buoyant bond market might well attract *foreign* cash inflows and support the dollar. Against this, Mr Jordan *believes that a fall in US stock* prices would prove contagious, and that this environment would trigger a rush to quality.

Dollar

Trade-weighted index



Source: FT Extel

■ **Pound in New York**

Jul 22	—Latest—	— Prev. close —
£ spot	1.5515	1.5465
1 mth	1.5510	1.5460
3 mth	1.5510	1.5460
1 yr	1.5532	1.5480

■ **OTHER CURRENCIES**

Jul 22	£	$
Czech Rp	41.6165 - 41.6580	26.8580 - 26.8700
Hungary	230.874 - 230.865	148.970 - 148.920
Iran	4650.00 - 4648.50	3000.00 - 3000.00
Kuwait	0.4638 - 0.4644	0.2993 - 0.2996
Poland	4.1891 - 4.1967	2.7035 - 2.7065
Russia	8001.07 - 8008.21	5163.00 - 5166.00
U.A.E.	5.6910 - 5.6940	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	16.2096	+0.0015	027 - 166	16.2498	16.1577	16.1782	2.3	16.1082	2.6	-	-	105.1
Belgium	(BFr)	47.4786	+0.0511	612 - 059	47.5780	47.3160	47.3886	2.4	47.1966	2.4	46.4086	2.3	106.9
Denmark	(DKr)	8.8845	+0.0027	802 - 888	8.9059	8.8595	8.8707	1.9	8.8504	1.5	8.7426	1.6	109.0
Finland	(FM)	7.0085	+0.0109	011 - 158	7.0180	6.9850	7.0041	0.8	6.996	0.7	-	-	84.7
France	(FFr)	7.7970	-0.0043	944 - 995	7.8197	7.7863	7.7847	1.6	7.762	1.8	7.6886	1.8	108.8
Germany	(DM)	2.3035	+0.0003	026 - 044	2.3099	2.3021	2.2991	2.3	2.29	2.3	2.2513	2.3	109.0
Greece	(Dr)	364.974	+0.315	705 - 243	365.823	362.736	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9627	-0.0009	619 - 634	0.9638	0.9618	0.9622	0.6	0.961	0.7	0.9565	0.6	99.4
Italy	(L)	2335.98	-6.07	478 - 717	2343.76	2334.47	2341.53	-2.9	2351.38	-2.6	2383.88	-2.1	76.7
Luxembourg	(LFr)	47.4836	+0.0511	612 - 059	47.5780	47.3160	47.3886	2.4	47.1966	2.4	46.4136	2.3	106.9
Netherlands	(Fl)	2.5856	+0.0029	846 - 866	2.5949	2.5770	2.5795	2.8	2.5675	2.8	2.5196	2.5	107.2
Norway	(NKr)	9.9060	+0.0017	987 - 132	9.9361	9.8536	9.8975	1.0	9.8805	1.0	9.797	1.1	98.6
Portugal	(Es)	236.871	+0.049	764 - 970	237.269	236.125	237.296	-2.2	238.201	-2.2	-	-	96.2
Spain	(Pta)	194.607	+0.252	495 - 721	194.747	193.885	194.867	-1.6	195.382	-1.6	196.782	-1.1	80.6
Sweden	(SKr)	10.2216	-0.0081	117 - 315	10.2600	10.2114	10.2219	0.0	10.222	0.0	10.22	0.0	89.3
Switzerland	(SFr)	1.8739	-0.0086	727 - 750	1.8866	1.8726	1.8689	3.2	1.859	3.4	1.8099	3.4	112.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2206	-0.0012	202 - 213	1.2236	1.2187	1.2195	1.3	1.2166	1.4	1.2032	1.4	-
SDR†	-	1.081800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5477	+0.0025	472 - 482	1.5498	1.5427	-	-	-	-	-	-	-
Brazil	(R$)	1.5612	+0.0021	607 - 617	1.5621	1.5544	-	-	-	-	-	-	-
Canada	(C$)	2.1198	+0.0049	189 - 207	2.1225	2.1086	2.1191	0.4	2.1155	0.8	2.1074	0.6	84.0
Mexico	(New Peso)	11.8308	+0.0523	242 - 373	11.8547	11.7849	-	-	-	-	-	-	-
USA	($)	1.5499	+0.0025	495 - 502	1.5505	1.5433	1.5494	0.4	1.5504	-0.1	1.552	-0.1	95.9
Pacific/Middle East/Africa													
Australia	(A$)	1.9600	+0.0058	589 - 610	1.9620	1.9494	1.9628	-1.5	1.9675	-1.6	1.9929	-1.7	92.5
Hong Kong	(HK$)	11.9876	+0.0185	841 - 911	11.9920	11.9421	11.9795	0.8	11.9579	0.7	11.9481	0.3	-
India	(Rs)	55.0973	+0.0115	748 - 197	55.4420	54.0610	-	-	-	-	-	-	-
Israel	(Shk)	4.9123	-0.0081	087 - 159	4.9498	4.8912	-	-	-	-	-	-	-
Japan	(Y)	166.919	-0.559	804 - 034	167.330	166.270	166.194	5.2	164.704	5.3	158.299	5.2	134.7
Malaysia	(M$)	3.8576	+0.0067	559 - 592	3.8594	3.8436	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2292	-0.0029	279 - 305	2.2316	2.2216	2.2342	-2.7	2.2437	-2.6	2.2775	-2.2	108.5
Philippines	(Peso)	40.5065	+0.0654	504 - 482	40.6655	40.5469	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8127	+0.0092	112 - 142	5.8150	5.7885	-	-	-	-	-	-	-
Singapore	(S$)	2.2001	+0.007	980 - 021	2.2032	2.1895	-	-	-	-	-	-	-
South Africa	(R)	6.8066	+0.0137	031 - 100	6.8175	6.7595	-	-	-	-	-	-	-
South Korea	(Won)	1261.60	+1.88	114 - 188	1261.95	1260.00	-	-	-	-	-	-	-
Taiwan	(T$)	42.7131	+0.0743	998 - 266	42.7271	42.4901	-	-	-	-	-	-	-
Thailand	(Bt)	39.1958	+0.0401	714 - 201	39.2370	39.0360	-	-	-	-	-	-	-

† Rates for Jul 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4589	-0.0159	567 - 608	10.5180	10.4570	10.4393	2.2	10.3973	2.4	10.2136	2.3	104.9
Belgium	(BFr)	30.6375	-0.0165	300 - 450	30.7860	30.6310	30.5825	2.2	30.4675	2.2	29.9275	2.3	106.7
Denmark	(DKr)	5.7325	-0.0075	310 - 340	5.7636	5.7300	5.728	1.8	5.708	1.7	5.639	1.6	107.1
Finland	(FM)	4.5221	-0.0002	183 - 258	4.5401	4.5125	4.5158	1.7	4.5036	1.6	4.4581	1.4	83.9
France	(FFr)	5.0306	-0.0109	300 - 315	5.0617	5.0296	5.0236	1.7	5.0096	1.7	4.9418	1.8	109.3
Germany	(DM)	1.4863	-0.0022	860 - 865	1.4946	1.4850	1.4839	2.0	1.478	2.2	1.4496	2.5	108.5
Greece	(Dr)	235.490	-0.175	370 - 610	236.570	234.390	237.165	-8.5	240.515	-8.5	254.49	-8.1	67.7
Ireland	(I£)	1.6100	+0.004	091 - 108	1.6113	1.6021	1.6109	-0.4	1.6116	-0.4	1.603	0.4	-
Italy	(L)	1507.29	-8.36	680 - 765	1517.49	1505.18	1511.98	-3.8	1520.13	-3.4	1542.83	-2.4	78.1
Luxembourg	(LFr)	30.6375	-0.0165	300 - 450	30.7860	30.6290	30.5845	2.1	30.478	2.1	29.9975	2.1	106.7
Netherlands	(Fl)	1.6683	-0.0008	680 - 685	1.6803	1.6679	1.6649	2.4	1.6579	2.5	1.628	2.5	106.8
Norway	(NKr)	6.3916	-0.0092	883 - 948	6.4284	6.3625	6.3867	0.6	6.3831	0.5	6.3466	0.7	97.9
Portugal	(Es)	152.835	-0.215	800 - 870	153.470	152.770	153.16	-2.5	153.74	-2.4	155.885	-2.0	95.5
Spain	(Pta)	125.565	-0.04	520 - 610	126.040	125.480	125.815	-2.4	126.245	-2.2	127.795	-1.8	80.5
Sweden	(SKr)	6.5952	-0.0159	903 - 001	6.6472	6.5898	6.6063	-2.0	6.6237	-1.7	6.6657	-1.1	86.6
Switzerland	(SFr)	1.2091	-0.0074	086 - 095	1.2219	1.2084	1.2056	3.5	1.1991	3.6	1.1646	3.7	111.8
UK	(£)	1.5499	+0.0025	495 - 502	1.5505	1.5433	1.5494	0.4	1.5504	-0.1	1.552	-0.1	84.3
Ecu	-	1.2696	+0.0038	693 - 699	1.2705	1.2630	1.2704	-0.7	1.272	-0.8	1.2806	-0.9	-
SDR	-	0.68710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9986	0.9983	-	-	-	-	-	-	-
Brazil	(R$)	1.0073	-0.0003	072 - 074	1.0075	1.0070	-	-	-	-	-	-	-
Canada	(C$)	1.3678	+0.001	675 - 680	1.3695	1.3659	1.3678	0.1	1.3679	0.0	1.3707	-0.2	83.3
Mexico	(New Peso)	7.6335	+0.0215	310 - 360	7.6360	7.6310	7.795	-25.4	7.98	-18.2	9.7435	-27.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2645	+0.0008	642 - 650	1.2654	1.2631	1.2665	-1.9	1.27	-1.7	1.2887	-1.9	94.3
Hong Kong	(HK$)	7.7347	-0.0028	342 - 352	7.7373	7.7340	7.7354	-0.1	7.7372	-0.1	7.7642	-0.4	-
India	(Rs)	35.5500	-0.05	300 - 800	35.7800	35.3100	35.7	-5.1	36.006	-5.1	37.475	-5.4	-
Israel	(Shk)	3.1695	-0.0104	679 - 711	3.1976	3.1579	-	-	-	-	-	-	-
Japan	(Y)	107.700	-0.535	650 - 750	108.250	107.350	107.255	5.0	106.365	5.0	102.615	4.7	134.5
Malaysia	(M$)	2.4890	+0.0008	885 - 895	2.4910	2.4880	2.4899	-0.4	2.496	-1.1	2.5195	-1.2	-
New Zealand	(NZ$)	1.4382	-0.0042	375 - 388	1.4395	1.4375	1.4415	-2.5	1.4471	-2.5	1.4717	-2.3	-
Philippines	(Peso)	26.1950	-	700 - 200	26.2200	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4195	+0.0022	185 - 205	1.4205	1.4179	1.416	3.0	1.41	2.7	1.3845	2.5	-
South Africa	(R)	4.3916	+0.0018	905 - 930	4.3995	4.3800	4.4383	-13.0	4.5238	-12.5	4.8666	-10.8	-
South Korea	(Won)	813.950	-0.1	900 - 000	814.100	813.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5595	+0.0035	570 - 620	27.5630	27.5350	27.5845	-0.2	27.5895	-0.1	-	-	-
Thailand	(Bt)	25.2900	-0.015	800 - 000	25.3090	25.2790	25.3887	-4.7	25.5995	-4.8	26.475	-4.7	-

† SDR rate per $ for Jul 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 19: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	2	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	½	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	½	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.15	5.35	5.47	5.74	-	-	-
week ago	-	5.15	5.34	5.50	5.82	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	3 - [illegible]	[illegible] - 3	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.18	96.17	+0.02	96.19	96.15	9,207	75,052
Dec	96.05	96.08	+0.03	96.08	96.04	4,477	60,221
Mar	95.82	95.86	+0.04	95.86	95.81	2,232	30,713

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.71	96.71	-	96.73	96.69	21964	169045
Dec	96.61	96.61	-	96.66	96.59	35308	206754
Mar	96.36	96.36	+0.01	96.40	96.33	32481	184534
Jun	96.01	96.02	+0.02	96.05	95.98	21335	110291

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.81	91.87	+0.08	91.96	91.78	14954	58244
Dec	92.25	92.27	+0.07	92.36	92.20	8514	35676
Mar	92.41	92.40	+0.04	92.50	92.37	2266	21010
Jun	92.38	92.35	+0.03	92.45	92.32	635	13240

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.39	97.36	-0.04	97.46	97.32	4760	33944
Dec	97.29	97.25	-0.02	97.36	97.22	5060	24186
Mar	97.08	97.06	-0.02	97.13	97.02	1309	9456
Jun	96.84	96.80	-0.01	96.84	96.76	37	2247

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.96	98.99	+0.02	98.95	98.96	156	n/a
Dec	98.66	98.66	+0.01	98.69	98.66	76	n/a
Mar	-	98.39	+0.01	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.64	+0.04	95.64	95.61	1160	8269
Dec	95.55	95.60	+0.05	95.60	95.57	1014	5499
Mar	95.39	95.39	+0.04	95.41	95.37	539	3134
Jun	95.11	95.10	+0.03	95.11	95.09	182	2891

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

July 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.71	16.42	4.858	2.028	4920	5.447	20.86	498.9	410.1	21.52	3.947	2.106	4.465	3.265	351.3	2.572
Denmark	(DKr)	53.44	10	8.776	2.596	1.084	2629	2.911	11.15	266.7	219.2	11.50	2.109	1.126	2.386	1.745	187.8	1.374
France	(FFr)	60.90	11.39	10	2.955	1.235	2996	3.317	12.70	303.8	249.7	13.11	2.403	1.283	2.719	1.988	213.9	1.566
Germany	(DM)	20.61	3.856	3.384	1	0.418	1014	1.122	4.298	102.8	84.51	4.436	0.813	0.434	0.920	0.673	72.40	0.530
Ireland	(I£)	49.30	9.225	8.097	2.393	1	2426	2.685	10.29	246.0	202.2	10.61	1.946	1.038	2.201	1.610	173.2	1.268
Italy	(L)	2.033	0.380	0.334	0.099	0.041	100.	0.111	0.424	10.14	8.335	0.438	0.080	0.043	0.091	0.066	7.140	0.052
Netherlands	(Fl)	18.36	3.435	3.015	0.891	0.372	903.5	1	3.831	91.61	75.29	3.952	0.725	0.387	0.820	0.599	64.50	0.472
Norway	(NKr)	47.93	8.968	7.871	2.326	0.972	2359	2.611	10	239.1	196.5	10.32	1.892	1.009	2.140	1.565	168.4	1.233
Portugal	(Es)	20.04	3.750	3.291	0.973	0.407	986.1	1.092	4.182	100.	82.19	4.314	0.791	0.422	0.895	0.654	70.41	0.515
Spain	(Pta)	24.39	4.563	4.005	1.183	0.495	1200	1.328	5.088	121.7	100.	5.249	0.963	0.514	1.089	0.796	85.67	0.627
Sweden	(SKr)	46.46	8.693	7.629	2.254	0.942	2286	2.530	9.698	231.8	190.5	10	1.834	0.978	2.074	1.517	163.2	1.195
Switzerland	(SFr)	25.34	4.741	4.161	1.229	0.514	1247	1.380	5.286	126.4	103.9	5.454	1	0.534	1.131	0.827	89.01	0.652
UK	(£)	47.48	8.884	7.797	2.304	0.963	2336	2.586	9.906	236.9	194.7	10.22	1.874	1	2.120	1.550	166.8	1.221
Canada	(C$)	22.40	4.191	3.678	1.087	0.454	1102	1.220	4.673	111.7	91.84	4.821	0.884	0.472	1	0.731	78.69	0.576
US	($)	30.65	5.732	5.030	1.486	0.621	1507	1.668	6.391	152.8	125.6	6.594	1.209	0.645	1.368	1	107.6	0.788
Japan	(Y)	28.47	5.326	4.674	1.381	0.577	1400	1.550	5.939	142.0	116.7	6.127	1.124	0.600	1.271	0.929	100.	0.732
Ecu		38.89	7.276	6.386	1.887	0.789	1913	2.118	8.113	194.0	159.5	8.370	1.535	0.819	1.736	1.269	136.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6726	0.6735	-0.0014	0.6735	0.6715	13,831	88,655
Dec	0.6774	0.6774	-0.0017	0.6774	0.6774	282	2,796
Mar	-	0.6835	-	-	-	3	327

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9328	0.9355	+0.0024	0.9369	0.9320	18,195	73,519
Dec	0.9460	0.9472	+0.0027	0.9472	0.9460	165	4,219
Mar	-	0.9556	-	-	-	1	142

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8237	0.8268	+0.0001	0.8269	0.8224	11,202	35,606
Dec	0.8326	0.8328	-0.0002	0.8328	0.8298	72	2,004
Mar	-	0.8396	-	-	-	2	95

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5448	1.5478	+0.0032	1.5478	1.5436	8,608	51,936
Dec	-	1.5480	+0.0030	1.5480	1.5440	33	1,128
Mar	-	1.5480	+0.0030	1.5480	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jul 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]
Discount Market deps	[illegible] - 5	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. [illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100% Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.27	-0.01	94.30	94.27	7093	84895
Dec	94.20	94.17	[illegible]	94.21	94.17	13732	97078
Mar	93.89	93.88	+0.01	93.92	93.88	8123	63795
Jun	93.46	93.45	+0.01	93.48	93.45	1822	44886
Sep	93.05	93.03	+0.01	93.07	93.03	1008	30610

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9425	0.10	0.14	0.14	0.08	0.22	0.58
9450	0.02	0.06	0.08	0.25	0.39	0.72
9475	0.00	0.02	0.04	0.48	0.61	0.93

Est. vol. total, Calls 2481 Puts 1931. Previous day's open int., Calls 128319 Puts 113487

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	7.00
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
* Mount Credit Corp	6.00
NatWest	5.75
●Rea Brothers	5.75
Royal Bk of Scotland	5.75
●Singer & Friedlander	5.75
●Smith & Williamson Secs	5.75
Scottish Widows Bank	5.75
TSB	5.75
United Bank of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Jul 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.946	-0.059	-0.95	1.99	7
Netherlands	2.15214	2.14177	+0.00236	-0.48	1.51	4
Belgium	39.3960	39.3307	+0.0253	-0.17	1.19	1
Germany	1.91007	1.90859	+0.00069	-0.08	1.10	1
Austria	13.4383	13.4312	+0.0049	-0.05	1.08	0
Portugal	195.792	196.135	-0.069	0.18	0.85	-1
Ireland	0.792214	0.796432	-0.000679	0.53	0.49	-4
France	6.40608	6.46142	-0.00244	0.86	0.16	-7
Denmark	7.28580	7.36033	+0.00292	1.02	0.00	-7
NON ERM MEMBERS						
Greece	292.867	302.263	+0.595	3.21	-2.12	-
Italy	2106.15	1933.84	-5.54	-8.18	10.02	-
UK	0.786652	0.828754	[illegible]	[illegible]	[illegible]	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
1.520	2.86	2.98	-	0.17	0.49	0.80
1.530	1.88	2.30	2.62	0.32	0.76	1.13
1.540	1.28	1.69	2.09	0.66	1.16	1.53
1.550	0.79	1.20	1.58	1.20	1.58	2.04
1.560	0.41	0.81	1.18	1.84	2.27	2.57

Previous day's vol., Calls 4,109 Puts 4,192. Prev. day's open int., Calls 164,073 Puts 131,561

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.21	-0.01	94.22	94.20	40,805	406,146
Dec	93.92	93.91	-0.01	93.92	93.90	79,559	440,502
Mar	93.76	93.75	-0.02	93.77	93.74	69,758	[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.74	94.74	+0.01	94.74	94.73	40	7,727
Dec	94.53	94.54	-	94.54	94.53	44	1,522
Mar	-	-	+0.04	-	-	-	200

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9650	0.24	0.28	0.27	0.26	0.01	0.03	0.07	0.11
9675	0.05	0.09	0.07	0.11	0.07	0.10	0.18	0.22
9700	0.01	0.02	0.02	0.05	0.28	0.29	0.38	0.40

Est. vol. total, Calls 9050 Puts 3841. Previous day's open int., Calls 221538 Puts 205008

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9750	0.08	0.12	0.14	0.16	0.23	0.51
9775	0.02	0.06	0.07	0.34	0.45	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3871 Puts 5062

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9175	0.35	0.76	0.91	0.11	0.23	0.18
9200	0.18	0.58	0.73	0.21	0.19	0.26
9225	0.08	0.40	0.57	0.37	0.37	0.34

Est. vol. total, Calls 3230 Puts 1760. Previous day's open int., Calls 81926 Puts 76050

Change of heart by steel producers boosts nickel

By Kenneth Gooding, Mining Correspondent

The collapse of an attempt by some central European stainless steel producers to prevent surpluses building up by cutting production is a positive development for the nickel market, says Macquarie Equities, part of the Australian banking group, in its latest commodity report.

Stainless steel production accounts for two-thirds of nickel usage and the change of heart by the steel producers comes at a time when nickel demand is relatively weak, stocks are high and Russian exports of the metal are about to get a seasonal boost, Macquarie points out.

"Stainless steel prices in Europe have remained under pressure and those producers that had made production cuts have realised that their efforts to co-operate to end the oversupply of the material have failed," say analysts Mr Jim Lennon and Mr Adam Rowley. "The emphasis among these producers is now very much on regaining lost market share."

Stainless production figures for the first quarter show that the substantial cuts made by French and German producers at the begining of 1996 (down by 9 per cent and 21 per cent respectively from the same months last year) were offset by a sharp rise in production in Spain – up by 15 per cent.

In addition, output in Asia will also rise rapidly because of increases in melting capacity. Posco in Korea is to double its capacity by the end of August to more than 1m tonnes a year while Yich United is doubling annual capacity to 800,000 tonnes by the year end. "These developments are positive for nickel but are bad news for stainless steel prices. The key question now is when this higher stainless steel production will impact on primary nickel demand."

Macquarie suggests that, although London Metal Exchange warehouse stocks of nickel are relatively low, traders report plenty of the metal available elsewhere and nickel scrap plentiful.

Demand is also being affected by the seasonally quiet northern hemisphere summer period.

"In this environment, it is difficult to see LME nickel prices staging a sustained rally," the analysts say, " and a fall below $7,000 a tonne ($3.18 a pound) appears a strong possibility."

However, low prices already are discouraging scrap collection and, as stainless production rises in the second half of this year, "there is the prospect of a strong recovery in nickel prices from late August."

Nigeria's oil bill

Oil-rich Nigeria is spending a fortune importing fuel because its four oil refineries are inefficient, a top government official says.

"In 1995, they spent about $800m to import fuel and in 1996 from January to June, they spent $451m to import fuel," Mr Sam Aluko, chairman of the National Economic Intelligence Committee, a watchdog in the presidency, told state radio.

"And yet they [Nigerian National Petroleum Corporation]needed only $240m to put the four refineries to work," Aluko added.

Officials of the NNPC, where the government recently sacked 3,000 people in an attempt to make the corporation run efficiently, declined to comment on Aluko's remarks.

Nigeria pumps an average of 2m barrels of oil a day.

Alcan alumina plant closed by flooding

By Robert Gibbens in Montreal

Alcan Aluminium said that its Vaudreuil alumina plant, which produces 1.18m tonnes a year in Saguenay north of Quebec City, has been closed by flooding.

But its four primary smelters in the area – with 700,000 tonnes per year – are still producing without interruption.

At least eight people died after torrential rains caused extensive flooding in the region at the weekend. Alcan's own hydro-electric plants were not affected.

But the pumping station providing process water to the Vaudreuil alumina plant was submerged and forced the plant closure. A rod mill has also been closed.

LaBaie, the port where overseas raw materials arrive, was extensively damaged by flooding. Because of ruptured roads and bridges, Alcan cannot move bauxite to Vaudreuil and the flow of imported alumina has been halted.

"The smelters have several days of raw materials in inventory and we expect the Vaudreuil plant will be back in operation shortly," said Alcan.

● Kuwait Industries Co confirmed yesterday it had sought a licence from the commerce and industry ministry to establish a $1b alumina factory with an annual capacity of 900,000 tonnes.

Mr Nasser Naki, the vice-chairman, said that, if approved, the project would be financed by 40 per cent equity and 60 per cent loans and foreigners would be welcome to invest.

Market report

Grains and coffee fall to weather changes

By Laurie Morse in Chicago and Alison Maitland in London

Commercial traders continued to liquidate maize and soyabean futures at the Chicago Board of Trade yesterday as it became clear last week's timely rains could bring record harvests of both crops.

Meanwhile, coffee prices plummeted in New York and London as fears evaporated that frost would hit producing areas of Brazil.

In Chicago, July maize futures, which expired yesterday, finished down 18 cents per bushel at $4.76¼, well below the record high of $5.54 1/2 set less than a month ago.

Analysts said grain merchants who had been hoarding feedgrains from last year's harvest began dumping those stocks when drought fears ended a week ago. The liquidation has been most obvious in heavy deliveries against the July contract.

Prices for both maize and soyabeans soared early this month as unseasonal dry weather lingered in growing regions. Since feedgrains stocks are short worldwide, traders reasoned there was no margin for error in producing a new harvest in the US.

Maize for December delivery closed down 9 cents per bushel at $3.28¾. Soyabeans for November delivery were off 5½ cents per bushel at $7.40¾.

Coffee was also driven down by the weather. After expectations of imminent frost, meteorologists reported no sign of it in Brazil's coffee belt.

London robusta futures for September dropped by $63, or 4 per cent, to close at $1,538 a tonne. Arabica futures fell to six-month lows in early New York trading. But industry buying helped the September contract pick up, closing off 4.95 cents at 103.75 cents a pound.

Rich pickings in Peru gold

Producers expanding in response to attractive prospects

By Sally Bowen in Lima

Into the bustling midday streets of the small town of Retamas, hard-hatted miners emerge from their tunnels to be greeted by wives and children bearing appetising stews in lunch pails.

In the marketplace, several small traders buy "informal" gold a few grams at a time, weighing the grainy yellow metal on scales that are none-too-accurate and pressing soiled banknotes into waiting hands.

This is Peruvian gold-mining at its most traditional – light years removed from the glamorous, high-tech leaching operations which attract the big-time investors.

The dazzle of Yanacocha, the fabulously profitable gold deposit belonging to Newmont of the US and Peru's Buenaventura, tends to cast a shadow over other Peruvian precious metal ventures. Operating only since 1993, Yanacocha last year produced 16.6 tonnes of 56.5 tonne national output and catapulted Peru into second place among Latin American gold producers.

Yet three underground mines along the remote 80-kilometre Pataz gold belt – 200 miles east of the northern coastal town of Trujillo – are now producing some 9 tonnes a year, or 15 per cent of 1995 output. Combined output from the zone was worth $90m last year.

Pataz province has been famous for gold since well before the Spanish conquest. Until the early 1960s, most of the area was operated by Sindicato Minero Parcoy: high costs, a low international gold price and the belief that the best veins had been exhausted put the company out of business.

"But look at us now," says Mr Jaime Uranga, president of the mining society's gold committee and co-owner of Consorcio Horizonte, which bought out a large part of Sindicato's Pataz claims. "We're producing close to 200 kilos a month from a mine they said was finished. All this area needs is work."

Consorcio Horizonte has spent $14m over the past two years on expanding treatment capacity from 450 to 750 tonnes per day. Mr Uranga is now looking at doubling throughput by 1997.

Although several international mining companies have made recent exploratory visits to the area, Consorcio plans to hold on to its 100 per cent stake – for now at least.

"I'm not keen on associating with a large international company," says Mr Uranga. "They want to build up reserves to improve their current share price: we want a profitable future."

Less than an hour – and another 1,000 metres – up the mountainside is Minera Aurifera Retamas S.A., known as Marsa. Like Consorcio, Marsa is a privately-owned company, established in the early 1980s and expanding fast.

Unlike Consorcio, it keeps its installations under heavy armed guard (which include Peruvian military) and discourages visitors.

Hermetic Marsa is Peru's second largest gold producer. The output in 1995 topped 3 tonnes, approximately four times its 1990 level, and the company reported sales of $41m. Thanks to an aggressive reinvestment programme, more than $18m has been ploughed back in the past four years.

Cagey about its reserves, Marsa envisages excellent medium- to long-term prospects, or so on-the-spot evidence suggests. Two quality housing blocks – luxurious by Peruvian mining camp standards – are ready for 1,300 workers and a smart, 50-bed hospital awaits inauguration at the end of the month.

Current throughput is around 850 tonnes a day, leaving some room for expansion at the 1,000-tonne capacity San Andres plant. Grades are similar to those of all the mines in the Pataz batolith: about 12 grams per tonne.

Both Marsa and Consorcio end their on-site treatment with gold precipitates: the remoteness of the valley from the coast makes transport of bullion unadvisable. Precipitates are trucked to Lima for refining.

The only Pataz mine to do its own smelting is Poderosa, the third of the trio, three hours or so away by rugged road. Owned by the Arias family, one of Peru's most prominent mining clans, Poderosa has built and maintains an airstrip at the edge of the Marañon river, from where bullion can be safely flown out to Lima, thence to Johnson Matthey in London.

Poderosa plans to expand current 550 tonne per day throughput (around 2.5 tonnes a year fine content) to 1,000 tonnes by the year 2000.

It is actively seeking risk capital to finance exploration of its extensive claims area: Echo Bay, Sunshine, Cambior, RTZ and TVX are among recent visitors.

Pataz undoubtedly has its problems. Transport costs for fuel – which takes three days to truck from the coast – are high, and mines have had to install their own satellite communications systems.

But the terrorist activity which plagued the zone for over a decade is now little more than a bad memory.

"The potential of Pataz is almost unlimited," says Mr Uranga. "We're predicting Peruvian gold output will to 100 tonnes a year by the end of the century, and Pataz will be an important element in that expansion."

Barrick wins exploration and development rights

By Robert Gibbens in Montreal

Barrick, north America's biggest gold producer now aggressively building reserves in Latin America, has won the right to explore and develop the Quicay gold property 200 miles north-east of Lima, Peru.

Barrick, bidding C$915m (US$668m) for Arequipa Resources, owner of the Pierina gold property in Peru, will spend US$3m to evaluate Quicay over the next two years before deciding on development estimated to cost US$202m. Quicay now has indicated reserves of one million ounces.

Barrick is also exploring the El Toro property in northern Peru in a joint venture and is doing a feasibility study on the Cerro Corona property with indicated reserves of three million ounces of gold and one billion pounds of copper.

The company's Pascua gold property in Chile has doubled reserves to 6.5 million ounces and the planned mine may be larger in scope, raising the cost estimate of US$900m.

Investor appetite for Peruvian gold deposits was evident last week when Barrick beat twelve rivals with the $202m offer for the prospect of Quicay.

Base price had been set at just $5m for the little-explored, disseminated gold deposit.

Mr Ray Threlkeld, general manager for Barrick Peru, described Quicay as "a very important project" that responds to "Barrick's strategy of becoming the world's number one gold producer".

Barrick's offer, payable in cash on expiry of the two-year option, stunned competitors. It was two and-a-half times more than the next best bid – of $81m from Inmet Mining of Canada.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1446-47	1482-83
Previous	1449.5-50.5	1485-86
High/low		1486/1480
AM Official	1445-46	1482-82.5
Kerb close		1483-84
Open int.	238,578	
Total daily turnover	28,428	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1285-45	1275-80
Previous	1245-55	1275-85
High/low		1278/1275
AM Official	1237-40	1275-78
Kerb close		1275-78
Open int.	[illegible]	
Total daily turnover	467	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	773.5-4.5	783-4
Previous	785-6	785-6
High/low		790/782
AM Official	778.5-9.5	788.5-9
Kerb close		786-7
Open int.	30,831	
Total daily turnover	7,228	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6985-45	7050-60
Previous	7070-80	7160-65
High/low		7160/7030
AM Official	6965-70	7075-80
Kerb close		7060-80
Open int.	42,301	
Total daily turnover	11,087	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6160-70	6215-20
Previous	6215-25	6265-75
High/low		6270/6210
AM Official	6202-07	6258-59
Kerb close		6240-45
Open int.	16,184	
Total daily turnover	3,576	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	986-7	1014-15
Previous	990-1	1017-8
High/low	990/988.5	1020/1015
AM Official	987.5-8.5	1015-16
Kerb close		1016-16
Open int.	88,809	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1968-73	1887-88
Previous	1977-82	1891-93
High/low	1975	1891/1875
AM Official	1973-74	1888-89
Kerb close		1888-89
Open int.	185,791	
Total daily turnover	52,873	

■ LME AM Official £/$ rate: 1.5457
LME Closing £/$ rate: 1.5495

Spot: 1.5511 3 mths: 1.5507 6 mths: 1.5515 9 mths: 1.5524

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	89.30	+1.25	89.80	88.15	543	1,998
Aug	89.40	+1.10	89.50	88.50	215	2,324
Sep	89.40	+1.20	89.60	88.05	3,839	19,507
Oct	89.15	+1.20	-	-	146	1,349
Nov	88.90	+1.20	-	-	3	1,127
Dec	88.50	+1.10	88.60	87.10	954	13,237
Total					6,163	57,193

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.60-385.10		
Opening	384.25-384.65		
Morning fix	384.50	248.43	468.13
Afternoon fix	384.85	248.31	465.94
Day's High	384.80-385.20		
Day's Low	384.10-384.50		
Previous close	384.20-384.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.40	6 months	4.08
2 months	4.34	12 months	4.00
3 months	4.31		

Silver Fix	p/troy oz.	US cts equiv.
Spot	321.05	497.25
3 months	325.15	503.40
6 months	329.05	509.85
1 year	337.65	523.70

Gold Coins	$ price	£ equiv.
Krugerrand	382.5-385.5	247-249
Maple Leaf	393.80-396.30	
New Sovereign	87-89	56-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	385.2	+0.2	-	-	10	10
Aug	385.5	+0.2	386.5	385.0	29,275	88,808
Oct	388.2	+0.2	389.3	387.9	802	7,960
Dec	390.6	+0.1	391.7	390.0	7,143	42,525
Feb	393.2	+0.1	393.6	393.0	274	9,371
Apr	395.5	+0.1	395.0	395.0	75	5,665
Total					34,868	161,164

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	398.5	+1.3	395.0	394.0	-	60
Oct	399.5	+1.1	400.0	397.5	1,103	20,001
Jan	402.2	+1.1	402.0	400.0	5	2,537
Apr	404.8	+1.1	404.0	404.0	8	2,241
Jul	407.9	+1.1	-	-	4	164
Total					1,120	24,999

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	136.05	+0.75	136.25	135.00	162	5,630
Dec	137.20	+0.75	138.50	138.25	24	1,241
Mar	138.30	+0.75	-	-	-	62
Jun	139.35	+0.75	-	-	-	107
Total					186	6,840

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	496.2	+6.1	494.0	494.0	6	66
Aug	498.8	+6.0	-	-	-	-
Sep	501.5	+6.0	503.0	496.5	15,346	67,304
Dec	509.4	+6.1	511.0	504.0	727	25,478
Mar	517.6	+6.2	516.0	514.0	85	7,087
May	522.7	+6.3	522.0	517.0	10	5,429
Total					16,174	112,128

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	20.65	-0.35	21.02	20.50	38,861	28,829
Sep	20.54	-0.24	20.86	20.40	50,871	76,854
Oct	20.11	-0.20	20.28	20.01	12,584	41,228
Nov	19.74	-0.10	19.78	19.66	6,578	27,276
Dec	19.37	-0.09	19.46	19.30	8,086	35,734
Jan	19.07	-0.10	19.19	19.02	2,488	25,375
Total					127,343	369,896

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	18.99	-0.24	19.28	18.90	14,067	61,441
Oct	18.60	-0.20	18.86	18.57	2,979	26,586
Nov	18.33	-0.13	18.51	18.29	1,129	8,948
Dec	18.10	-0.06	18.13	18.03	524	14,932
Jan	17.79	-0.10	17.93	17.79	812	10,859
Feb	17.57	-0.05	17.60	[illegible]	255	5,434
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	55.65	-0.37	56.15	55.40	8,985	28,382
Sep	55.90	-0.34	56.32	55.80	6,177	21,107
Oct	56.20	-0.39	56.63	56.00	1,338	6,755
Nov	56.80	-0.34	56.85	56.40	1,559	9,194
Dec	57.00	-0.29	57.30	56.80	3,585	23,108
Jan	57.05	-0.19	57.10	56.85	1,029	[illegible]
Total					23,919	113,571

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	177.25	-1.75	179.00	177.25	5,330	21,645
Sep	173.50	-2.00	175.00	173.50	1,990	9,292
Oct	172.00	-1.75	173.00	171.75	604	3,970
Nov	171.00	-1.75	172.00	170.50	239	2,432
Dec	170.00	-1.50	171.00	169.50	720	9,662
Jan	168.75	-1.75	168.75	168.25	150	2,449
Total					9,087	58,178

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.210	-0.149	2.330	2.180	23,171	22,371
Sep	2.170	-0.160	2.260	2.130	15,354	28,264
Oct	2.185	-0.141	2.230	2.130	10,096	18,982
Nov	2.230	-0.115	2.280	2.200	3,092	13,111
Dec	2.280	-0.112	2.330	2.250	3,375	15,144
Jan	2.300	-0.100	2.340	2.270	2,286	12,158
Total					62,783	152,447

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	61.65	-0.76	62.40	61.35	15,368	23,902
Sep	60.30	-0.62	60.90	59.95	7,425	21,828
Oct	57.85	-0.62	58.40	57.80	1,085	6,549
Nov	56.30	-0.37	56.30	56.10	348	2,193
Dec	55.15	-0.42	55.70	55.00	360	2,380
Jan	54.80	-0.22	54.80	54.50	304	1,609
Total					25,305	60,618

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.25	+0.10	110.00	109.65	14	395
Nov	112.60	-0.05	112.25	112.00	66	2,939
Jan	114.60	-0.10	114.40	114.10	13	1,277
Mar	116.60	-0.10	116.20	116.00	8	436
May	118.50	-0.05	118.15	118.15	12	281
Jul	120.00	-0.25	-	-	-	27
Total					118	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	480.00	-8.50	475.00	463.00	595	499
Sep	460.50	+1.00	464.00	457.50	14,288	29,775
Dec	466.50	+2.25	468.00	459.50	18,360	29,192
Mar	462.75	+1.75	465.00	458.00	1,828	5,984
May	439.00	+2.50	440.00	433.00	70	225
Jul	401.00	+1.00	402.00	396.00	351	2,306
Total					35,622	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	476.50	-18.00	493.00	469.00	1,586	1,076
Sep	365.75	-12.00	367.75	355.75	24,239	73,046
Dec	328.75	-9.00	335.25	328.00	64,663	174,171
Mar	337.25	-8.00	343.75	337.00	10,783	32,546
May	344.50	-6.50	350.00	344.25	2,783	8,087
Jul	346.50	-4.00	350.00	346.50	1,492	7,579
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	102.10	-0.60	101.50	101.50	9	170
Nov	104.75	-0.60	104.75	104.35	66	679
Jan	106.75	-0.45	106.75	106.40	29	216
Mar	108.75	-0.60	-	-	-	65
May	110.75	-0.25	110.70	110.70	4	35
Total					118	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	767.50	-11.50	772.00	762.00	673	503
Aug	767.75	-8.25	774.50	760.00	14,599	28,509
Sep	752.50	-7.00	758.50	745.00	3,070	10,820
Nov	740.75	-5.50	745.00	730.50	41,207	112,462
Jan	749.00	-5.50	754.00	740.00	4,199	12,270
Mar	[illegible]	-5.50	[illegible]	747.50	813	5,958
Total					65,687	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	24.20	-0.47	[illegible]	24.05	478	483
Aug	24.42	-0.29	24.55	24.10	7,070	[illegible]
Sep	24.69	-0.26	24.90	24.26	2,048	15,648
Oct	24.87	-0.23	25.00	24.50	931	[illegible]
Dec	25.24	-0.25	25.32	24.82	[illegible]	20,954
Jan	25.49	-0.23	25.40	25.07	285	3,029
Total					18,106	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	244.5	-4.1	248.5	241.5	1,765	617
Aug	243.8	-1.4	244.7	241.0	11,163	21,580
Sep	[illegible]	-1.0	240.2	237.0	3,967	12,812
Oct	235.2	-0.8	[illegible]	232.3	698	6,303
Dec	233.3	-0.4	234.0	230.0	7,076	25,486
Jan	233.7	-0.3	234.8	231.8	163	3,389
Total					25,312	77,019

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.8	-	-	-	-	-
Apr	127.3	-3.5	130.0	[illegible]	176	[illegible]
May	140.0	-16.0	130.0	130.0	1	3
Jun	162.5	-	-	-	-	-
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1119	[illegible]	1120	1116	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1166	1186

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	986	-7	990	980	15	204
Sep	1000	-10	1014	1001	804	41,980
Dec	1011	-8	1017	1009	663	40,318
Mar	1024	-6	1032	1023	318	37,145
May	1035	-6	1038	1034	44	20,522
Jul	1046	-4	1055	1046	35	11,398
Total					1,947	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1342	-18	1368	1340	2,374	24,806
Dec	1378	-18	1392	1377	922	17,378
Mar	1406	-14	1415	1406	981	15,882
May	1426	-13	1430	1425	61	6,738
Jul	1436	-16	1436	1435	100	6,878
Sep	1466	-14	1456	1455	1	5,169
Total					4,844	79,282

■ COCOA (ICCO) (SDR's/tonne)

Jul 19	Price	Prev. day
Daily	1017.53	1019.61

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1600	-65	1610	1490	61	386
Sep	1539	-62	1580	1522	3,609	15,264
Nov	1462	-53	1465	1460	664	9,259
Jan	1421	-67	1449	1408	189	3,823
Mar	1371	-70	1398	1370	97	2,221
May	1355	-60	1370	1355	43	316
Total					4,682	31,269

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	104.05	[illegible]	106.00	101.50	7,209	18,436
Dec	98.55	-4.20	99.50	96.25	2,190	8,913
Mar	96.05	-4.15	96.75	94.20	217	3,022
May	95.00	-4.00	97.00	94.50	46	718
Jul	94.75	-3.80	97.00	95.00	8	244
Sep	95.15	-2.25	97.00	95.00	16	82
Total					9,702	27,443

■ COFFEE (ICO) (US cents/pound)

Jul 19		Prev. day
Comp. daily	100.23	100.02
15 day average	102.99	103.46

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	344.2	-2.3	346.5	344.0	487	10,089
Dec	339.8	-1.9	342.0	339.0	382	3,185
Mar	336.3	-0.7	338.0	337.0	164	5,202
May	332.7	-0.4	334.0	333.0	105	2,338
Aug	331.0	-	332.1	331.5	18	861
Oct	317.8	-1.3	318.0	318.0	8	969
Total					1,134	22,584

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.51	-0.14	11.65	11.50	17,338	72,516
Mar	11.22	-0.07	11.31	11.22	7,319	38,445
May	10.96	-0.06	11.02	10.95	1,421	16,021
Jul	10.72	-0.06	10.78	10.71	503	12,234
Oct	10.56	-0.05	10.61	10.56	186	5,481
Mar	10.44	-0.02	10.44	10.44	1	534
Total					26,747	145,372

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.25	+0.73	74.70	73.70	1,417	6,053
Dec	74.40	+0.38	75.00	74.21	7,061	33,348
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,386
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,897
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,085
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	853
Total					[illegible]	62,297

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	111.25	-2.75	[illegible]	[illegible]	[illegible]	11,985
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,380
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,061
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	580
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	216
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	164
Total					[illegible]	20,840

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 22	Jul 19	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

Jul 20	Jul 19	month ago	year ago
248.21	244.93	na	na

■ GSCI Spot (Base: 1970=100)

Jul 20	Jul 19	month ago	year ago
198.54	201.74	200.12	173.30

Tea

There was fair but more general demand this week reports the Tea Brokers Association. [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	66.275	-0.550	67.975	66.150	3,995	20,370
Oct	66.525	-0.100	66.650	66.400	2,627	38,595
Dec	66.750	-0.075	66.475	65.675	1,728	14,494
Feb	63.950	-0.625	64.475	63.825	881	12,590
Apr	66.125	-0.075	66.650	65.950	619	4,268
Jun	66.000	-0.250	66.650	64.850	106	1,799
Total					9,849	96,691

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	82.275	+0.325	82.500	81.600	666	766
Aug	77.775	-0.190	78.000	77.475	3,349	12,295
Oct	71.625	-0.175	71.900	70.475	1,894	11,493
Dec	74.725	-0.225	75.050	74.350	1,198	8,220
Feb	76.625	-0.575	76.100	75.250	180	2,340
Apr	73.650	-0.600	73.800	73.200	70	888
Total					7,807	37,169

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	95.400	+2.000	95.400	93.400	225	486
Aug	90.625	+0.425	91.350	88.250	2,883	3,895
Feb	80.375	-0.625	81.700	79.500	1,080	1,865
Mar	79.600	-1.000	80.700	79.600	24	159
May	80.800	-0.700	80.750	80.250	1	80
Total					4,942	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	61	128	8	22
1500	22	66	48	59
1600	3	9	128	120
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	151	162	20	72
1900	85	110	85	118
2000	41	72	108	177
■ COFFEE LCE	Sep	Nov	Sep	Nov
1650	49	89	160	227
1700	41	49	202	267
1750	34	40	245	306
■ COCOA LCE	Sep	Dec	Sep	Dec
975	42	80	14	44
1000	27	67	24	66
1025	17	56	39	70
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1850	-	-	34	80
1900	52	51	51	-
1950	31	35	80	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.35-7.48	-0.15
Brent Blend (dated)	$19.20-9.27	-0.355
Brent Blend (Sep)	$19.02-9.04	-0.20
W.T.I.	$20.60-0.62x	-0.21
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$211-212	-2
Gas Oil	$180-181	-2.5
Heavy Fuel Oil	$88-90	
Naphtha	$186-190	
Jet fuel	$205-207	-2
Diesel	$183-184	-1.5
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	13.00-13.20	-0.25
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$384.65	+0.50
Silver (per troy oz)♣	500.50c	+1.00
Platinum (per troy oz.)	393.65	-0.10
Palladium (per troy oz.)	$133.25	+0.25
Copper	95.0c	
Lead (US prod.)	40.00c	
Tin (Kuala Lumpur)	15.24r	-0.01
Tin (New York)	291.50	
Cattle (live weight)	102.39p	+0.01*
Sheep (live weight)	112.81p	-0.81*
Pigs (live weight)†	104.97p	-13.73*
Lon. day sugar (raw)	$314.80	-0.20
Lon. day sugar (wte)	$366.00	+1.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	91.25p	+1.25
Rubber (Sep)♥	91.25p	+1.25
Rubber (KL RSS No1)	335.00m	+1.50
Coconut Oil (Phil)§	780.00w	+10.0
Palm Oil (Malay.)§	$467.5	-2.5
Copra (Phil)§	$506.0w	
Soyabeans (US)	215.0w	-1.0
Cotton Outlook 'A' index	80.15c	+0.20
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 468 head of pigs sold.

JOTTER PAD

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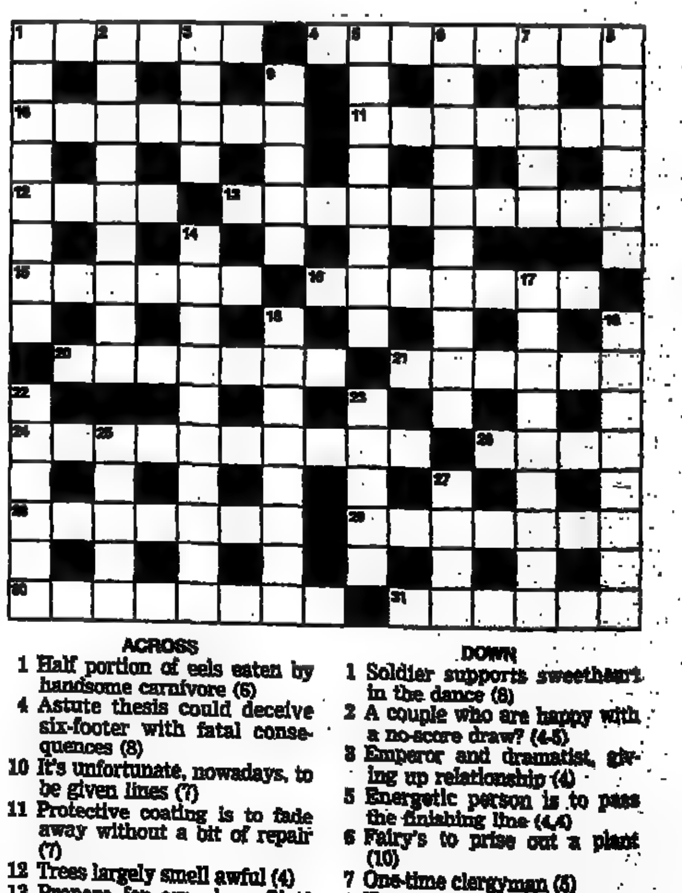
The clue to 24 across in Saturday's puzzle should have been:
24 Release, say? (6)

CROSSWORD

No.9,127 Set by ARMONIE



ACROSS
1 Half portion of eels eaten by handsome carnivore (6)
4 Astute thesis could deceive six-footer with fatal consequences (8)
10 It's unfortunate, nowadays, to be given lines (7)
11 Protective coating is to fade away without a bit of repair (7)
12 Trees largely smell awful (4)
13 Prepare for armed conflict? That attracts an argument (4,6)
15 A snooze? For Tom that's a certainty (6)
16 Knitter repaired a knick-knack (7)
20 Finger inflammation is a trifle coarse (7)
21 Land that's part of a mogul's territory (6)
24 Mug's after a means of communication (6,4)
26 Pip's follower in novel (4)
28 Are social workers surrounding star? (7)
29 Student deserved to become academic (7)
30 Harry heartlessly hustled ostler in the pub (8)
31 Abraham's nephew appeared in revolutionary attire (6)

DOWN
1 Soldier supports sweetheart in the dance (8)
2 A couple who are happy with a no-score draw? (4-5)
3 Emperor and dramatist, giving up relationship (4)
5 Energetic person is to pass the finishing line (4,4)
6 Fairy's to prise out a plant (10)
7 One-time clergyman (5)
8 Woman picked up remains for new disposition (6)
9 Sugar in the ready-mix (5)
14 Survive the syllabus for what could be a syllabub (4,6)
17 I meet Stan dancing in the bistro (9)
18 Noted writer and peacemaker? (8)
19 Material newspaper's to long for (8)
22 Wet sensation (6)
23 In the afternoon Sarah gives a sacred song (5)
25 Tycoon creates openings (5)
27 Nobleman almost losing head (and foot) (4)

Solution to Saturday's prize puzzle on Saturday August 3.
Solution to yesterday's prize puzzle on Monday August 5.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Lloyds Int'l Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Prudential Fund Managers (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Rothschild Asset Mngmt - Contd.

[illegible]

Royal Bank of Canada Int'l Money Market Fd

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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CROSSWORD

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$10.9992	11.6[illegible]	—	—
Offshore Emerging Cos	$7.4729	7.6415	—	—
Offshore Far East Gwth Fd	$5.0418	5.3580	—	—
Offshore Intl Gwth Fd	$5.9437	6.3184	—	—
Offshore Japanese Gwth Fd	$1.3178	1.4008	—	—
Offshore UK Growth Fd	$3.6841	3.9151	—	—
Offshore Asia Smaller Mkts	$1.7714	1.8825	—	—
Offshore Latin Amer Growth	$1.0781	1.1457	—	—
Offshore European Gwth Fd	$2.5482	2.7081	—	—
Offshore Global Bond	$0.9542	0.9982	—	—
Offshore Global Bond Acc	$1.1348	1.1821	—	—

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Jul 1[illegible]	$8.87		—	—

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£23.35	23.58xd	—	1.14
Lowes Aggressive Portfolio	£10.73	11.29	-0.0400	—
Lowes Defensive Ptflo	£11.74	12.34	-0.2100	—
Lowes Collective Ptflo Ltd	£11.2	11.75	—	—

For Sortagoer Asset Gen see Hambros

TSB Fund Managers (CI) Ltd

TSB Island Pension	708.8	745.8	-3.4	—
Island Equity Acc	123.1	129.6	-0.9	—

WMB Asset Management (Jersey) Ltd

[illegible]	$998.21	998.34	—	—

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd †	$253.38	258.67xd	—	3.86
Excalibur Global Eqty $ *	$79.18	79.57	—	—
Excalibur Stg Glbl Fxd Int *	£11.67	11.74xd	—	4.56

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Dresdnerbank Asset Mngmt SA (u)

6A route de Treves L-2633 Senningerberg 00 352 4[illegible]

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Grs
Dit-Lux Bondspezial (Inc)		DM71.43	73.63	—	—
Dit-Lux Bondspezial (Cm)		DM[illegible]	103.14	—	—

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

Establishment Tst Jul 18	$2.65m		-0.11	—

Eigtsian Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 00 352 404648218

Equity Portfolio Jul 18	$2.300		-0.005	—
Reserve Portfolio Jul 18	$2.050		+0.005	—

EquiFund–Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 00 352 473 96[illegible]

Australasian Nat.	A$15.36	15.51	—	—
Austrian Nat Equity	Sch65.25	65.91	—	—
Belgian/Lux Nat. Eqty	BFr723	731	—	—
French Nat Equity	FFr127.9	129.16	—	—
German Nat Equity	DM17.35	17.53	—	—
Dutch Nat Equity	Dfl36.84	37.22	—	—
Italian Nat Equity	L12092	12214	—	—
Japanese Nat Equity	Y1353	1367	—	—
Hong Kong Nat Equity	HK$115.3	116.29	—	—
Spanish Nat Equity	Pta1787	1180	—	—
UK Nat Equity	£10.05	10.15	—	—
United States Dlr Res	$10.36		—	—

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250[illegible]

Major Market Funds

America	$2.166	—	—
Europe	DM4.649	+0.023	—
International	$15.83	+0.07	—
Japan	Y140.8	-0.1	—
Pacific	$8.101	-0.020	—
South East Asia	$2.771	+0.028	—

Country Select Funds

ASEAN	$22.19	+0.07	—
Asian Special Situations	$10.93	+0.10	—
Australia	A$15.05	+0.28	—
Emerging Markets	$8.670	+0.048	—
European Smr Cos F	DM12.63	+0.06	—
France	FFr82.61	-0.49	—
Germany	DM19.87	+0.05	—
Hong Kong	$43.61	+0.42	—
[illegible]	Pta1701	+10	—

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

for EdP
xt April
ease FRN

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Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

PAPER, PACKAGING & PRINTING

TELECOMMUNICATIONS

RETAILERS, FOOD

TEXTILES & APPAREL

LIFE ASSURANCE

MEDIA

RETAILERS, GENERAL

AMERICANS

PHARMACEUTICALS

TOBACCO

CANADIANS

PROPERTY

TRANSPORT

OTHER INVESTMENT TRUSTS

SOUTH AFRICANS

OIL EXPLORATION & PRODUCTION

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

WATER

INVESTMENT COMPANIES

SUPPORT SERVICES

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- Rule 2.1(a)(4) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Weak Wall Street showing unnerves FT-SE 100

By Steve Thompson,
UK Stock Market Editor

A poor showing by Wall Street on Friday and again at the outset of trading yesterday afternoon put paid to the London equity market's strong recovery at the end of last week and saw share prices under pressure yesterday.

There was no help to equities from the gilts market, which never showed any signs of rallying from an early decline ahead of this week's auctions of £3.5bn-worth of gilts; £2bn today and £1.5bn on Thursday.

The FT-SE 100 index moved decisively below the 3,700 level, ending an acutely disappointing trading session a net 29.2 off at 3,681.3 and ending three successive days of big gains in equities.

Second line issues fared just as badly as the leaders, with the FT-SE Mid 250 index finally 19.0 off at 4,231.0.

There was nothing really sinister behind the market's slide, dealers said, simply the fall-out from New York and the general lack of enthusiasm among fund managers in London ahead of some important economic data on both sides of the Atlantic.

Tomorrow brings crucial details of UK retail sales in June, expected by some observers to show a one per cent rise in sales during the month and lifting the annual rise to around 2.5 per cent. And Friday sees the second quarter gross domestic product figure released, with strategists pencilling in a 0.7 per cent rise during the quarter, or 2.2 per cent up on the year.

Turnover in London was a serious disappointment to brokers and marketmakers; at the 6pm reading turnover in equities was a miserly 547.7m, with non-FT-SE 100 accounting for 60 per cent of the total figure. Customer trading last Friday was valued at £1.67bn.

The turnover figure was even more disappointing, traders said, given that one of the big marketmakers executed a sizeable programme trade during the late afternoon. The programme, priced earlier in the day, was said to have been evenly weighted.

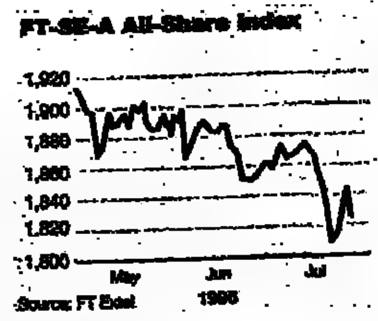
Senior marketmakers were dismayed with Wall Street's most recent performances and the response of European markets, and forecast a difficult few weeks ahead for the London market.

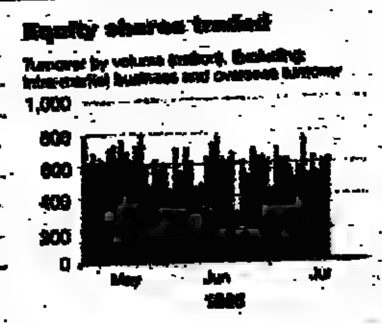
"I can see the Footsie slipping back to 3,600 in the short term," said the head of marketmaking at one securities house. "There seems to be a total lack of support around and the institutions are simply not interested; the market has to go lower," he said.

The consensus among dealers was that the odds favoured a US rate increase during August, a move which would ultimately undermine sentiment on Wall Street and in london.

British Gas, so often a laggard in the FT-SE 100, topped the performance league yesterday, with the gas regulator said by one analyst to be in "disarray" and backtracking on its draconian proposals for Transco, the pipelines division of the company.

Composite insurance stocks were well to the fore, as investors sought the stocks ahead of the interim season which commences at the end of the month.





Indices and ratios

FT-SE 100	3681.3	-29.2
FT-SE Mid 250	4231.0	-19.0
FT-SE-A 350	1847.6	-13.2
FT-SE-A All-Share	1829.15	-12.30
FT-SE-A All-Share yield	3.93	3.90

FT Ordinary index	2696.7	-21.1
FT-SE-A Non Fins p/e	16.73	16.82
FT-SE 100 Fut Jul	3677.0	-31.0
10 yr Gilt yield	7.90	7.89
Long gilt/equity yld ratio:	2.10	2.12

Best performing sectors

1. Gas Distribution ... +2.3
2. Electronic & Elec ... +0.5
3. Insurance ... +0.2
4. Distributors ... +0.2
5. Pharmaceuticals ... -0.1

Worst performing sectors

1. Telecommunications ... -1.8
2. Tobacco ... -1.8
3. Alcoholic Beverages ... -1.4
4. Household Goods ... -1.4
5. Retailers : Food ... -1.1

Broker boost for BTR

Top conglomerate BTR moved higher after a note from NatWest Securities advised client's to "add" on the stock following recent severe underperformance.

Taking an unequivocable stand, the broker declares that the shares are too low. They have lagged the market as a whole by more than a fifth since April.

According to NatWest analyst Mr Bruce MacDonald, all the bad news is now in the price. The market is valuing BTR's "quality core manufacturing businesses on a 10 per cent discount to the market for 1997", he says.

This year BTR has sold operations with sales of £600m. Mr MacDonald argues that a further £2.3bn of sales disposals are in the pipeline and that the increased group focus will generate improved returns on capital.

The NatWest analyst expects BTR to cut its dividend by 33 per cent to 10p this year. Shorn of underperforming assets and with the pay-out streamlined, BTR is capable of "supporting above-market earnings growth". The shares, 5 better at one stage, ended up 1½ at 287½p in 5m traded, keeping the stock at the top of the FT-SE 100 performance table throughout the trading session. They stood at 340p in March.

Recommendations from at least two brokers saw British Gas move firmly ahead against the poor market trend, as the industry regulator announced a delay in price proposals for TransCo, the group's pipeline business. The shares closed 4¼ ahead at 190¼p, after trade of 8.8m.

The shares were firm from the outset after ABN Amro was reported to have reiterated its buy stance on the stock and to have set a 215p a share price target for sum of the parts valuations.

The TransCo announcement during the session was followed by a statement from British Gas indicating its disappointment at the delay. However, one analyst dismissed the British Gas stance as "nothing but a political game to ensure it benefits in the end."

Analysts at SGST reiterated their positive stance on the shares following the regulator's announcement. They said: "The decision by Ofgas to delay publication of its final proposals for the TransCo review until mid-August strongly implies a negotiated settlement can be reached with British Gas thereby validating our buy stance."

Thorn EMI fell 42 to 1693p with some analysts said to be slightly disappointed by first quarter results from EMI Music. This provoked some selling in the US where the EMI Music is followed closely. Other analysts pointed out that they were unconcerned, because EMI Music was a seasonal business.

Rank fell 8 to 468p, with NatWest Securities reiterating its "reduce" recommendation. NatWest said the forthcoming announcement of the results of an internal strategic review was likely to be the most important development at Rank for many years.

UNO, the furniture retailer, made a promising start on the AIM market, closing at 147p compared with a placing price of 134p.

M & S falls

There was some profit-taking at Marks & Spencer which fell 4½ to 479½p. One analyst suggested that media reports of directors selling shares was responsible for some of the selling pressure.

Carpetright fell 7 to 524p with reports of some switching ahead of the Allied Carpets flotation which takes place today.

Goldsmiths Group rose 8 to 815p on market rumours that Signet was about to sell its UK chains to Apax, the venture capitalist. One option was that Apax would buy Goldsmiths, take the combined group private and leave Mr Jurek Piasecki, Goldsmith's chairman and chief executive, in charge of the group.

Profit-taking was the order of the day in many of the financial stocks yesterday. Lloyds TSB which reports interim figures on Friday relinquished 7 to 330p in trade of 2.4m. NatWest Securities is predicting profits of £1.15bn.

Selling was also seen in National Westminster, 8 off at 619p, and Royal Bank of Scotland where the shares gave up 6 to 485½p.

Among insurance issues, Commercial Union was in demand and the shares put on 6½ to 584½p. London & Manchester Group fell 10 to 348p, after the market was disappointed by half-year new business figures. L & M's new annual premiums were up two per cent and it new single premiums up 22 per cent. Life stocks raced higher last week in the week of excellent new business numbers from Prudential, Legal & General and Britannic.

Tentative takeover talk continued to underpin contract distribution group Christian Salvesen, lifting the shares 2 to to 284p in above average turnover of 1.8m.

Held back by poor trading in Germany and margin pressures in the US, the shares have lagged the sector by more than 25 per cent on a 12-month view. But they have been active lately, rising from 248p since the end of last month.

Some City traders suggested that rival distributor Hays, off 6 at 439p, might be behind the price action. But one support services analyst reported that Hays had denied it was involved.

Electronics giant GEC moved up against the market trend on weekend press reports that it is to join the British Aerospace and Boeing consortium which is bidding for a £2bn Ministry of Defence contract. The stock added 3½ to 374½p in 6.6m traded. BAe gained 2 to 944p.

Construction group Costain moved up sharply after shareholders approved the group's rescue package.

The stock, suspended at the end of June at 39p, closed 7 higher at 46p after the restart of dealings.

Among building materials groups, RMC lost 7 to 1041p on the news that the group had increased its stake in aggregates company Ennemix to 4.7 per cent. Ennemix, unchanged at 60p, has agreed to a 52.5p a share bid from French building giant, Lafarge.

A note from Goldman Sachs highlighting the impact of a Labour government windfall tax on the profits of one-time state corporations was said to have hit BT and airports group BAA.

The former shed 5 to 354p and BAA ended off 4 at 496p.

Cable and Wireless, off 14 at 413p, was the day's worst performing Footsie component.

Tate & Lyle fell 2¼ to 456½ following an explosion at its sugar beet facility in Nebraska. The incident is expected to knock about £10m off pre-tax profits this year.

Tesco fell 5 to 278p on the eve of the supermarket group having to decide whether it was going to make a counter-bid for Docks de France. Under French stock market rules a counter bid to that made by Auchan may be made no later that today.

However, talk in the market suggested that it was most unlikely that Tesco would pursue a bid. Docks de France was suspended yesterday, pending a statement.

FINANCIAL TIMES EQUITY INDICES

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16	Yr ago	*High	*Low
Ordinary Share	2696.7	2717.8	2700.4	2678.7	2669.8	2557.7	2865.2	2668.8
Ord. div. yield	4.17	4.14	4.13	4.16	4.17	4.14	4.17	3.76
P/E ratio net	16.10	16.24	15.97	15.86	15.80	16.11	17.25	15.80
P/E ratio nil	15.99	16.13	15.86	15.77	15.71	16.76	17.09	15.71

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2714.0	2710.6	2702.5	2699.6	2703.0	2703.9	2704.1	2696.0	2691.7	2714.0	2690.9

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16	Yr ago
SEAQ bargains	26,762	27,014	24,016	29,693	34,625	23,750
Equity turnover (£m)†	-	1667.3	1638.6	1585.3	1604.2	1278.4
Equity bargains†	-	33,632	29,494	34,271	40,226	32,856
Shares traded (m)†	-	567.9	540.5	614.5	606.6	493.2

†Excluding intra-market business and overseas turnover.

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16	Yr ago	*High	*Low
FT-SE AIM	1061.50	1057.70	1045.30	1037.00	1029.60	-	1140.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	311	Total Highs	35	Total contracts	32,629
Total Falls	698	Total Lows	57	Calls	9,025
Same	1,503			Puts	23,604

Jul 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT) Jul 19

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3705.0	3708.0	+18.0	3735.0	3690.0	17472	61763
Dec	-	3728.0	+18.0	-	-	0	1771
Mar	-	3740.0	+18.0	-	-	0	190

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4249.0	+25.0	-	-	0	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3675) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§60	F.P.	5.62	58	46	†Alkyrne	[illegible]					
-	F.P.	999.4	£20	£19¾	Alumex	[illegible]					
§125	F.P.	38.8	130	123	†BATM Adv Comms	[illegible]					
§180	F.P.	40.1	202	191	[illegible]	[illegible]					
100	P.P.	1,365	101	89	British Energy	[illegible]					
§170	F.P.	19.0	185	173	†Circle Comms	[illegible]					
-	F.P.	8.64	19	18	Consumers [illegible]	[illegible]					
[illegible]	F.P.	3.07	4	4	†Doings of [illegible]	[illegible]					
§145	F.P.	81.1	153	145	†Elec Retail [illegible]	[illegible]					
[illegible]	F.P.	2.89	[illegible]	41	†Fayrewood	[illegible]					
[illegible]	F.P.	2.74	[illegible]	82	†Hat Pic	[illegible]					
-	F.P.	19.6	[illegible]	65	†Independent [illegible]	[illegible]					
§12	F.P.	0.75	16	12	†Life Numbers	[illegible]					
[illegible]	F.P.	0.16	5	[illegible]	†Life Numbers [illegible]	[illegible]					
[illegible]	F.P.	7.35	4¼	4	†Lotterylink	[illegible]					
[illegible]	F.P.	0.28	1¼	1	†Lotterylink [illegible]	[illegible]					
-	F.P.	1.32	19	18	NECA	[illegible]					
172	F.P.	393.6	227	172	Pace Micro [illegible]	[illegible]					
[illegible]	F.P.	8.74	4	3½	†Pordam F[illegible]	[illegible]					
-	F.P.	0.98	2	1½	†Pordam F[illegible]	[illegible]					
-	F.P.	1,247	249	216	Sun Life & [illegible]	[illegible]					
-	F.P.	1.38	97	1¼	Templeton [illegible]	[illegible]					
§134	F.P.	20.6	147	143	†UNO	147					

† Alternative Investment Market. § Placing price. [illegible] symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jul 19	% chg on day	Jul 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	[illegible]	+1.8	[illegible]	[illegible]	1.47	-	[illegible]	[illegible]
■ Regional Indices								
Africa (13)	2895.16	0.0	2898.77	2789.16	2.47	37.16	3663.88	2272.74
Australasia (7)	2240.28	+3.2	2160.01	2544.08	2.59	20.84	2927.34	2123.80
North America (12)	1753.82	+1.1	1734.84	1764.34	0.75	62.56	2198.38	1488.84

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE WITH EFFECT [illegible]: Deletion: Hecla Gold (North America). Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jul 22	Day's chge%	Jul 19	Jul 18	Jul 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3681.3	-0.8	3710.5	3690.4	3658.2	3431.5	4.11	2.11	14.39	104.39	1613.01
FT-SE Mid 250	4231.0	-0.4	4250.0	4225.2	4207.4	3797.3	3.58	1.62	21.72	119.00	1709.69
FT-SE Mid 250 ex Inv Trusts	4266.9	-0.4	4284.1	4258.9	4242.2	3810.2	3.68	1.65	20.70	125.49	1727.45
FT-SE-A 350	1847.6	-0.7	1860.6	1851.8	1836.2	1708.4	3.98	2.02	15.52	52.50	1552.54
FT-SE-A 350 Higher Yield	1777.9	-0.8	1792.5	1780.4	1764.9	1705.4	5.33	1.65	12.46	65.09	1253.33
FT-SE-A 350 Lower Yield	1924.3	-0.8	1940.3	1930.2	1914.7	1714.1	2.77	2.25	20.04	38.91	1836.01
FT-SE SmallCap	2104.16	-0.1	2106.65	2090.50	2082.61	1897.37	3.13	1.72	23.25	40.45	1733.49
FT-SE SmallCap ex Inv Trusts	2103.41	[illegible]	2103.70	2093.26	2082.10	1872.15	3.35	1.60	20.76	42.77	1744.21
FT-SE-A ALL-SHARE	1829.15	-0.7	1841.45	1832.41	1818.05	1667.82	3.93	2.00	15.93	50.47	1560.72

■ FT-SE Actuaries All-Share

	Jul 22	Day's chge%	Jul 19	Jul 18	Jul 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3471.15	-0.7	3497.26	3522.47	3489.45	2915.50	3.86	1.80	17.71	79.25	1495.67
12 Extractive Industries(6)	3873.16	-0.4	3889.52	3982.42	3987.97	4000.00	4.04	2.52	12.29	109.19	1169.19
15 Oil, Integrated(3)	3567.56	-0.8	3596.11	3634.82	3597.13	2904.59	4.01	1.72	18.09	81.84	1576.48
16 Oil Exploration & Prod(15)	2493.64	-0.3	2501.66	2485.08	2441.32	2021.88	2.11	1.59	37.58	34.94	1501.68
20 GEN INDUSTRIALS(276)	1978.50	-0.4	1986.69	1977.66	1965.32	1984.97	4.36	1.88	15.24	51.95	1089.21
21 Building & Construction(34)	1145.02	-0.1	1146.21	1141.26	1135.47	993.67	3.61	1.66	20.56	23.05	962.30
22 Building Matls & Merchs(28)	1855.30	-0.8	1870.19	1851.98	1826.55	1829.98	4.13	1.72	17.57	47.17	943.78
23 Chemicals(25)	2393.35	-0.6	2408.64	2392.24	2390.83	2444.77	4.17	1.86	18.31	62.26	1142.37
24 Diversified Industrials(16)	1488.56	-0.6	1497.56	1490.86	1479.55	1843.50	6.99	1.69	10.57	66.29	840.34
25 Electronic & Elect Equip(37)	2285.67	+0.5	2273.25	2260.67	2249.44	2017.56	3.41	1.61	22.85	55.94	1201.19
26 Engineering(71)	2408.62	-0.4	2418.14	2408.96	2399.08	2058.73	3.31	2.44	15.44	48.78	1471.04
27 Engineering, Vehicles(14)	2930.69	-1.0	2960.91	2949.00	2937.35	2411.37	3.69	1.96	17.64	73.79	1532.40
28 Paper, Pckg & Printing(26)	2584.12	-0.4	2594.69	2587.80	2558.88	3127.53	3.99	1.99	15.76	59.35	1083.54
29 Textiles & Apparel(19)	1304.09	-0.5	1310.28	1308.73	1312.53	1686.66	5.42	1.59	14.53	42.36	805.13
30 CONSUMER GOODS(91)	3520.72	-0.6	3542.03	3516.37	3493.20	3251.07	3.96	1.87	16.76	85.77	1309.30
32 Alcoholic Beverages(8)	2702.81	-1.4	2741.79	2707.95	2686.76	2807.56	4.67	1.62	16.50	91.04	998.00
33 Food Producers(24)	2460.37	-0.6	2474.07	2473.90	2456.40	2538.61	4.23	1.85	15.96	66.20	1120.31
34 Household Goods(15)	2506.44	-1.4	2541.30	2534.74	2533.08	2704.07	3.97	2.15	14.67	58.43	961.80
36 Health Care(20)	2051.43	-0.4	2060.21	2049.82	2037.92	1902.70	2.63	2.16	22.00	35.96	1253.79
37 Pharmaceuticals(15)	5158.78	-0.1	5162.09	5095.30	5056.70	4132.31	3.27	1.86	20.48	91.18	1755.63
38 Tobacco(1)	4121.08	-1.6	4188.85	4231.21	4218.50	4201.56	6.17	2.12	9.56	158.18	1035.19
40 SERVICES(253)	2450.17	-0.8	2469.86	2454.88	2438.98	2119.60	2.93	1.87	22.87	53.39	1283.44
41 Distributors(31)	2775.18	+0.2	2769.63	2782.44	2777.59	2600.38	3.13	1.70	23.46	51.03	1028.70
42 Leisure & Hotels(24)	3033.30	-0.5	3049.06	3048.98	3041.27	2403.90	2.92	1.89	22.66	153.23	1639.38
43 Media(46)	4064.13	-1.0	4105.97	4070.06	4034.09	3177.55	2.24	1.86	29.65	54.14	1474.60
44 Retailers, Food(14)	1925.83	-1.1	1947.60	1943.25	1933.53	2147.22	3.99	2.32	13.56	48.71	1235.91
45 Retailers, General(43)	2039.03	-0.7	2053.75	2039.35	2016.04	1728.13	3.09	2.12	19.06	47.09	1176.32
47 Breweries, Pubs & Rest.(24)	3082.26	-0.7	3104.59	3082.89	3063.39	2593.28	3.33	1.95	19.25	52.87	1487.15
48 Support Services(49)	2381.53	-0.5	2394.46	2382.96	2369.09	1670.77	1.95	2.26	28.47	32.90	1520.39
49 Transport(22)	2342.07	-0.6	2356.37	2345.72	2333.84	2335.59	3.47	0.62	58.45	56.33	984.78
60 UTILITIES(33)	2236.47	-0.9	2257.23	2237.04	2224.06	2496.50	5.71	2.01	10.89	129.10	983.12
62 Electricity(11)	2349.55	-0.4	2359.87	2347.37	2336.48	2491.63	6.91	2.48	7.30	404.44	1259.38
64 Gas Distribution(2)	1276.80	+2.3	1248.00	1241.35	1250.95	1932.91	9.39	1.36	9.81	65.67	669.69
66 Telecommunications(8)	1889.84	-1.8	1925.16	1905.37	1889.90	2151.04	4.28	1.79	16.33	12.56	860.70
68 Water(12)	2139.43	-0.7	2153.62	2127.47	2109.92	2033.71	6.18	2.33	8.66	88.50	1206.56
69 NON-FINANCIALS(687)	1940.35	-0.7	1953.36	1944.31	1931.30	1817.19	3.95	1.89	16.73	54.54	1486.69
70 FINANCIALS(104)	2879.59	-0.7	2898.79	2890.74	2842.17	2458.62	4.19	2.55	11.70	79.91	1250.18
71 Banks, Retail(8)	4037.04	-0.9	4073.86	4046.24	3976.33	3301.68	3.86	[illegible]	11.21	110.04	1329.47
72 Banks, Merchant(6)	3479.24	-0.4	3494.52	3483.32	3470.01	3613.26	2.84	2.50	17.57	63.39	1110.36
73 Insurance(22)	1409.81	+0.2	1406.41	1394.42	1386.04	1298.39	5.86	2.70	7.88	48.97	1089.55
74 Life Assurance(6)	3419.28	-1.0	3454.64	3449.23	3387.99	2785.18	4.37	2.24	12.78	100.72	1433.38
77 Other Financial(21)	2502.05	-0.2	2507.78	2479.34	2467.46	2128.93	4.18	1.61	16.55	62.05	1438.41
79 Property(41)	1500.01	-0.3	1504.51	1500.40	1496.85	1481.00	4.27	1.26	23.25	39.34	933.66
80 INVESTMENT TRUSTS(126)	3035.03	-0.7	3057.65	3042.81	3022.01	2885.85	2.31	1.12	48.33	44.32	1086.14
89 FT-SE-A ALL-SHARE(897)	1829.15	-0.7	1841.45	1832.41	1818.05	1667.82	3.93	2.00	15.93	50.47	1560.72
FT-SE-A Fledgling	1212.44	-0.2	1214.63	1207.73	1201.95	1022.20	2.87	2.46	17.66	19.72	1273.26
FT-SE-A Fledgling ex Inv Trusts	1227.12	-0.1	1228.87	1222.19	1215.95	1014.26	3.09	2.66	15.21	21.52	1289.53

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3706.9	3701.1	3690.0	3685.9	3689.1	3690.2	3690.9	3678.6	3674.9	3707.3	3672.2
FT-SE Mid 250	4243.9	4242.5	4241.7	4240.4	4240.6	4238.3	4239.8	4234.6	4231.5	4244.4	4230.8
FT-SE-A 350	1858.8	1856.4	1852.0	1850.2	1851.5	1851.7	1852.1	1846.8	1845.1	1859.0	1844.1

Time of FT-SE 100 Day's high: 8.31 AM Day's low: 3.54 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2954.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1138.9	1138.2	1138.1	1137.6	1138.5	1138.7	1138.7	1138.9	1138.5	1136.6	1140.3	-3.7
Pharmaceuticls	5105.1	5096.8	5080.4	5080.0	5089.4	5094.9	5099.8	5079.5	5077.0	5094.8	5097.8	-3.0
Water	2139.7	2137.2	2131.0	2129.0	2129.0	2124.0	2124.5	2124.0	2122.4	2125.8	2140.2	-14.4
Banks, Retail	4113.6	4113.8	4105.7	4099.0	4102.8	4101.9	4101.1	4088.5	4094.2	4088.6	4125.6	-37.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. [illegible] FT Statistics.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 22 / Sch)

BELGIUM/LUXEMBOURG (Jul 22 / Frs.)

CZECH REP (Jul 22 / Koruna)

DENMARK (Jul 22 / Kr.)

FINLAND (Jul 22 / Mkk)

FRANCE (Jul 22 / Frs.)

GERMANY (Jul 22 / Dm.)

GREECE (Jul 22 / Drachma)

ITALY (Jul 22 / Lira)

NETHERLANDS (Jul 22 / Fls.)

NORWAY (Jul 22 / Kroner)

POLAND (Jul 22 / Zloty)

PORTUGAL (Jul 22 / Escudo)

SPAIN (Jul 22 / Pts.)

SWEDEN (Jul 22 / Kronor)

SWITZERLAND (Jul 22 / Frs.)

TURKEY (Jul 22 / Tk Lira)

PACIFIC

JAPAN (Jul 22 / Yen)

AUSTRALIA (Jul 22 / Aus$)

HONG KONG (Jul 22 / H.K.$)

INDONESIA (Jul 22 / Rupiah)

MALAYSIA (Jul 22 / MYR)

NEW ZEALAND (Jul 22 / NZ $)

SINGAPORE (Jul 22 / S$)

SOUTH KOREA (Jul 22 / Won)

TAIWAN (Jul 22 / TW $)

THAILAND (Jul 22 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jul 22 / Can $)

4 pm close

MONTREAL (Jul 22 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jul 22 / Rand)

INDICES

India BSE Sens.(1979)	3807.80	3763.09	3775.89	[illegible]	10/5	[illegible]	25/1
Indonesia Jakarta Comp.(10/8/82)	579.76	580.07	578.32	[illegible]	29/5	[illegible]	3/1
Ireland ISEQ Overall(4/1/88)	2427.70	2440.75	2416.78	[illegible]	10/6	[illegible]	2/1
Italy Banca Comm Ital(1972)	616.72	624.61	622.49	674.10	20/5	572.21	27/3
MIB General(2/1/95)	1045.0	1059.0	1055.0	1142.00	20/5	[illegible]	27/3
Japan Nikkei 225(16/5/49)	21005.63	21479.29	21586.42	[illegible]	26/6	19734.70	13/3
Nikkei 300(1/10/82)	295.85	301.04	302.66	319.76	26/6	294.48	11/3

US INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Jul	1994.0	1969.0	-31.0	1997.0	1961.0	15,915	28,739
Aug	2000.0	1968.5	-31.5	2001.5	1967.0	3,743	5,386
DAX							
Sep	2509.0	2481.0	-28.5	2516.5	2477.0	19,396	-
Dec	2531.0	2499.5	27.5	2532.0	2498.0	264	5,197
OMX							
Jul	1478.00	1452.00	-28.50	1478.00	1452.00	3,975	13,549
Aug	1481.25	1455.00	27.00	1481.25	1455.00	2,129	6,988
SOFFEX							
Jul	3664.9	3558.0	-112.0	3665.0	3553.0	8,084	25,451
Aug	3679.0	3596.5	-44.0	3679.0	3631.0	24	259

Prices supplied by Telekurs

■ TOKYO - MOST ACTIVE STOCKS: Monday, July 22, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	4.7m	287	-4	Osaka Gas	2.8m	378	-6
Nippon Stl Corp	4.5m	342	-2	Toyota Motor	2.5m	2460	-70
Kyowa Hakko Kgy	4.5m	873	-57	Ishihara Sangyo	2.4m	390	-35
NEC Corp	3.1m	1110	-20	Mitsubishi Hvy	2.3m	900	-10
Hitachi	3.0m	968	-6	Daiichi Kgyo B	2.3m	1800	-20

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 22

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR	0.48	2.5	19	979	19⅝	19¼	19⅜	+⅛
46⅛	39⅛	AMP	1.00	2.7	18	2275	38	37¼	37½	-⅜
87½	68	AMR			15	11997	78	75⅜	77½	-1¼
50½	37⅜	ASA	1.80	4.6	25	210	39½	39	39⅛	-¼
45¼	39⅛	AbbtL x	0.96	2.2	19	7837	44⅜	43⅞	44⅜	
17¼	12⅛	Abitibi Pr	0.40	3.0	6	780	13¼	12⅞	13⅛	-¼
40⅜	27	ABM Ind	0.70	1.9	19	44	37⅜	37¼	37¼	
18⅝	13⅞	Acptnceln			47	138	18⅛	18	18⅛	+⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	238	43⅜	42⅞	42⅞	-⅝
9⅞	9⅛	ACM Gvt In	0.90	9.1	8	197	u9⅞	9¾	9⅞	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.0		342	7⅛	7	7⅛	+⅛
7¼	6	ACM Gvt Sp	0.66	10.2		318	6⅝	6⅜	6½	
9⅛	8¼	ACM Gvt Se	0.90	10.6		125	8⅝	8½	8½	-⅛
8½	8⅜	ACM Man	0.90	10.3		232	8¾	8⅝	8¾	+⅛
13⅞	6⅛	Acme Elect			43	132	8	7½	7¾	-⅜
33¾	27¾	Acordia	0.80	2.5	19	26	31¾	31⅜	31½	-⅜
21⅜	12	Acuson			60	409	13⅜	13	13⅜	+⅛
19½	17⅞	Adams Expr	0.48	2.6	0	121	18½	18¼	18⅜	-⅛
21¼	10¾	AdvMic			7	4995	11⅛	d10¾	10⅞	-¼
11⅛	8½	Advest Grp	0.16	1.6	7	51	10⅛	10	10⅛	+⅛
26⅛	9⅛	Advo Inc	0.10	1.1	51	188	9¾	9¾	9¾	-½
50⅜	41⅛	Aegon	1.19	2.7	13	28	44½	43¾	44¼	-1½
6¾	3½	Aerflx			3	467	5⅛	4⅞	4⅞	-¼
78¾	55⅜	Aetna	2.76	4.4	16	15967	62½	61⅛	62⅛	
33	28¼	Aflac	0.40	1.4	12	1545	30	29¼	29¼	-⅞
30⅜	17⅛	AGL Res	1.08	6.0	15	285	18⅛	17⅜	17¾	-⅛
28	21¼	Ahmnsn	0.88	3.6	6	1483	25	24⅞	24¾	
60⅞	50⅜	AirPrC	1.10	2.1	14	2940	54	53¼	53⅝	-⅛
28⅜	23	Airbne Frt	0.30	1.3	22	328	24⅝	23¾	23⅞	-⅝
22½	15½	Airgas Inc			32	216	19⅞	19⅝	19¾	+⅛
18⅞	15	Airlease	1.80	11.2	10	16	16⅛	16	16⅛	
33⅝	25	AirTch			87	7850	26⅞	26	26⅛	-1
30¾	15⅞	Alaska Air	0.20	0.9	8	1457	24⅛	22¾	23⅛	-¾
22⅝	17¼	Albany Int	0.40	2.1	13	763	19⅝	19⅜	19⅜	-¼
24⅛	15¼	Alberti	0.22	1.4	5	3683	15⅞	d15¼	15¼	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

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- H -

- I -

- J -

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- L -

- M -

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- P - Q -

- R -

- S -

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4 pm close July 22

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close July 22

AMEX PRICES

4 pm close July 22

AMERICA

Nasdaq down as Microsoft Q2 awaited

Wall Street

Jittery trading continued in technology shares as the Nasdaq composite, which is weighted toward that sector, gave back some of the gains made in the second half of last week, *writes Lisa Bransten in New York.*

In early afternoon trading the Nasdaq was off 14.78 at 1,082.90 on a decline of $2 at $119 in Microsoft, the biggest company on the index. Investors were particularly focused on shares in the software giant because it was due to report second quarter earnings after the close of trading.

Although the next three largest companies on the Nasdaq were also weaker – Intel lost $⅝ at $72⅛ and Cisco Systems fell $1⅛ at $50⅛ – the biggest declines came in tech stocks, which have soared in recent months.

Iomega lost $2 at $20⅛, Cybercash shed $3⅛ at $38 and Netscape Communications fell $5 to $48.

Weakness in the technology sector initially spilled over on to the broader market, sending the Dow Jones Industrial Average more than 57 points lower. But by early afternoon the blue chip index was off its lowest levels of the session; by 1pm the benchmark was 30.33 weaker at 5,396.49. The Standard & Poor's 500 fell 4.90 at 633.83 and the American Stock Exchange composite shed 6.43 at 542.33. NYSE volume was light at 198m shares.

Several Dow components reported results; Allied Signal managed to buck the falling market and gain $1 at $56⅝ after reporting operating income of 93 cents a share, 2 cents ahead of analysts' estimates. Union Carbide added $½ at $37 after reporting earnings in line with expectations.

Big oil companies in the Dow did not fare as well although Chevron and Texaco beat earnings estimates and Exxon's results matched the consensus forecast. Chevron fell $¾ at $57⅞, Texaco lost $¼ at $86¼ and Exxon was $¼ weaker at $85¼.

Portland General jumped $7⅞ at $35⅞ after Enron agreed to buy the company in a deal valued at $2bn. Enron shares slipped $1⅞ at $39⅞.

Canada

Toronto was unable to remain immune to the depressed condition of other markets and the TSE-300 composite index was 34.40 down by noon at 4,970.60, in weak volume of 24.6m shares.

SOUTH AFRICA

Johannesburg was weak in trading that was cut short to less than an hour by a computer failure. The overall index lost 36.5 to 6,752.6, industrials fell 59.0 to 7,981.5 and golds eased 3.7 to 1,785.4. One analyst noted, however, that the declines did not reflect weakness that might have been expected in response to the performances of London and Wall Street.

Mexico weaker at noon

Mexico City was lower at midsession in response to weakness on Wall Street, where some large Mexican stocks are traded. The IPC index fell 24.71 to 3,085.37.

Analysts noted that much of the early volume was in Grupo Carso, due to a shuffling of shares between some of its brokerage subsidiaries. The Carso shares fell 0.6 per cent to 50.7 pesos.

Among the biggest falling stocks Televisa CPO lost 2.70 pesos to 99.30 pesos.

SAO PAULO was weak at midsession, following falling markets abroad and on some profit-taking.

The Bovespa index was 508 weaker at 63,609.

Analysts believed that investors were awaiting tomorrow's debate in congress, which was expected to hold a final vote on a 0.2% financial movement tax, to be charged on all financial transactions in banks. They warned that the tax would boost inflation and discourage economic growth.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-2.75	-6.48	-2.69	+6.60	+2.83	+2.49
Belgium	-0.41	-0.81	+14.11	+5.04	+1.18	+0.85
Denmark	-0.59	+0.37	+16.70	+10.95	+7.47	+7.12
Finland	-2.07	-2.98	-18.84	+6.99	+3.07	+2.73
France	-2.60	-3.80	+6.13	+9.52	+6.58	+6.23
Germany	-0.99	-0.54	+13.46	+9.97	+6.09	+5.75
Ireland	-1.69	-6.21	+17.11	+7.41	+7.96	+7.61
Italy	-2.92	-7.02	-8.38	+1.53	+6.78	+6.43
Netherlands	-2.73	-3.63	+20.44	+10.71	+6.68	+6.30
Norway	-2.35	-3.09	+8.71	+9.89	+8.79	+8.44
Spain	-1.32	-4.63	+22.46	+11.58	+8.13	+7.78
Sweden	-1.01	-3.87	+11.62	+10.48	+11.11	+10.75
Switzerland	-3.14	-0.67	+27.34	+10.25	+4.62	+4.28
UK	-0.38	-0.25	+9.06	+1.27	+1.27	+0.94
EUROPE	-1.48	-1.91	+11.45	+8.28	+4.48	+4.14
Australia	+0.52	-4.11	+2.81	-3.25	+3.21	+2.88
Hong Kong	+0.26	-0.82	+14.04	+6.05	+9.13	+8.77
Japan	-1.15	-6.02	+23.51	+2.02	-2.45	-2.77
Malaysia	-1.00	-1.41	+3.65	+12.70	+15.35	+14.98
New Zealand	-0.92	-0.71	-5.42	-4.51	+1.56	+1.24
Singapore	+0.67	-4.90	+4.64	-1.47	-1.34	-1.66
Canada	-0.65	-0.73	+8.28	+7.11	+7.23	+6.88
USA	-1.03	-4.24	+15.58	+3.42	+3.76	+3.42
Mexico	+1.49	-2.41	+25.59	+11.31	+13.04	+12.87
South Africa	-0.06	-2.07	+20.86	+9.78	-8.54	-8.84
WORLD INDEX	-1.11	-3.59	+15.90	+4.14	+2.86	+2.53

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EUROPE

Zurich posts largest one day fall for 25 months

Early weakness on Wall Street, troublesome currency developments, and a sudden absence of positive corporate news combined to drive ZURICH 2.6 per cent lower, its largest one day fall for 25 months. The SMI index lost 95.4 to 3,566.1.

An already weak market was tipped sharply lower by Wall Street's early performance and dollar weakness while, at the same time, the Swiss franc strengthened against other European currencies.

One analyst also attributed the day's fall to the void left in a market suddenly bereft of news and rumours of mergers and restructurings.

Among sharply lower pharmaceuticals, Roche certificates tumbled SFr270 to SFr9,040. Sandoz and Ciba, strong recent performers on their plans to merge into Novartis, fell SFr46 to SFr1,356, and SFr56 to SFr1,437 respectively.

Nestlé, back in focus in recent sessions after a long time in the wilderness, was SFr45 down at SFr1,361.

Attisholz, the paper group, tumbled 12.1 per cent in reaction to a large weekend fire at its Tela subsidiary in which three firefighters died. The shares dropped SFr70 to SFr510 in spite of the company's assurance that the SFr130m-SFr150m cost of the damage would be covered by insurance.

FT-SE Actuaries Share Indices

Jul 22					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1633.35	1629.32	1628.29	1627.32	1626.03	1626.74	1618.56	1618.05
FT-SE Eurotrack 200	1674.65	1669.71	1669.93	1668.39	1658.18	1659.60	1651.99	1661.05
	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15			
FT-SE Eurotrack 100	1636.47	1631.33	1624.61	1624.77	1664.07			
FT-SE Eurotrack 200	1680.59	1671.28	1663.77	1666.60	1706.17			

Base value 1000 (26/10/90); High/day: 100 - 1633.35 200 - 1674.65 Low/day: 100 - 1617.82 200 - 1660.26. † Partial.

FRANKFURT saw German stock market turnover fall from DM9.1bn to DM6.6bn as the Dax index fell 30.03, or 1.2 per cent, to an Ibis-indicated 2,468.32.

The dollar was weak, and bunds flat, but cyclicals and defensive stocks fell alike: in chemicals, BASF and Hoechst were both DM1.06 lower, at DM40.46 and DM48.94 and in carmakers, Volkswagen shed DM8.70 at DM518.10; in financials, Deutsche Bank lost DM1.25 at DM73.25 and Allianz DM44.20 at DM2,608 and in utilities, where traders said that the sector was overbought, RWE, Veba and Viag dropped DM1.23 to DM52.63, DM1.77 to DM75.08 and DM8.70 to DM571.50 respectively.

AMSTERDAM reported very thin volume, about one quarter of its average size, as the AEX index fell 8.43, or 1.6 per cent to 525.62. Philips underperformed, losing Fl 1.70at Fl 49.70 as analysts worried about falling margins on semiconductors ahead of Thursday's second quarter figures.

STOCKHOLM, similarly, had a very light day's trading, turnover coming in at just SKr1.3bn as the Affärsvärlden General index dropped 23.3, or 1.2 per cent to 1,891.8.

Volvo B had a bad day, losing SKr4, or 2.9 per cent, at SKr135.50. Mr Bob Barber at James Capel said that the group's car sales were weak in June and that they had put up a poor performance over the first six months of this year.

PARIS gossips seemed more interested in a stock which was suspended pending a statement, the retail takeover target, Docks de France, than in the broad market which fell 1.6 per cent with the CAC-40 index 32.50 lower at 1,960.33 in thin turnover of FFr3.42bn.

Another supermarket group, Casino, fell FFr8.20, or 4.1 per cent, to FFr198.50 although dealers said that speculation that it might come in as a white knight for Docks de France had subsided. Another faller was the household appliance maker, Moulinex, down FFr3.50, or 3.7 per cent, at FFr91.70 on disappointment with an estimated 5 per cent rise in first quarter sales, and with the lack of detail on the company's restructuring plans.

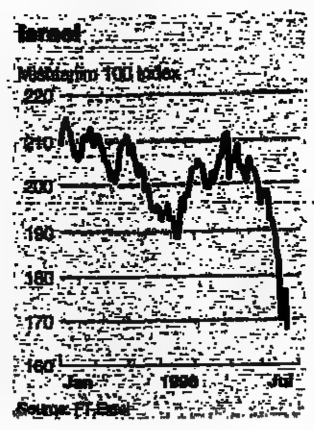
MILAN picked up from the day's worst levels on optimism that July inflation forecasts, due from a number of cities after the market closed, could open the way for a long-awaited cut in interest rates. The Comit index fell 7.89 to 616.72 while the Mibtel index picked up from 9,784 to finish 74 down at 9,839.

Analysts noted that the day's weakness was exacerbated by a number of leading stocks trading ex-dividend, which depressed the Mibtel by about 0.5 per cent.

Mediaset, which made its market debut just a week earlier, continued to give back some of the gains seen in its first three days of trade. The shares slipped L74 to L7,281.

ENI, the state controlled energy group, fell L33 to L7,014 after the market watchdog, Consob, authorised the Treasury to carry out a market study on the placement of a second tranche of shares in October.

OSLO featured a 2.5 per cent fall in Norsk Hydro after the oil based industrial complex, Norway's largest quoted company, reported a 20 per cent fall in six month profits. The shares fell NKr7.50 to NKr287 as the total index gave up 4.00 to 615.73.



Kvaerner, the offshore engineer and shipbuilder, dropped NKr8 to NKr262, taking its losses to about 10 per cent over the last 10 sessions on profit-taking and worries about first half results, due next month, which have prompted some analysts to downgrade their estimates.

ISTANBUL rebounded after last week's 8.4 per cent plunge, the composite index closing 1,138.20, or 1.75 per cent higher, at 66,342.91 after the deputy prime minister, Mrs Tansu Çiller, reiterated last week's government comment that interest rates would be lowered within free market conditions.

TEL AVIV, which dropped 3.5 per cent on Sunday as big provident funds actively sold stocks across the board because of heavy redemptions, had a roller coaster day before the Mishtanim index shed another 2.20, or 1.3 per cent at 168.82.

Traders said yesterday that falling bond prices were pushing up yields, enticing investors out of equities and into fixed interest instruments.

VIENNA sagged to a new six-month low on nagging dollar worries. The ATX index lost 10.85 at 1,014.63 with the day's worst performer, VA Stahl, losing Sch20, or 5.9 per cent, at Sch320 on technical selling.

WARSAW fell for the fifth consecutive session and analysts declared that the market would continue its correction, having surged by some 90 per cent this year by July 5. The main market's all-share Wig index shed 203.8, or 1.6 per cent, at 12,466.8 as turnover fell 15.9 per cent to 104.2m zlotys on both markets.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Trading sluggish as Nikkei falls 2.2%, region follows

Tokyo

Sluggish trading combined with foreign profit-taking and domestic technical selling, and the Nikkei average posted its second largest fall of the year, *writes Emiko Terazono in Tokyo.*

The 225 index dropped 470.66, or 2.2 per cent, to 21,005.63, its low for the day. After opening at 21,476.19, the day's high, equities lost ground on foreign selling. This triggered selling of the futures contract by domestic institutions looking to hedge their cash positions, which in turn prompted arbitrage linked selling.

Volume totalled 320m shares against 319m as most investors retreated to the sidelines.

The Topix index of all first section stocks fell 27.37 to 1,603.23, while the capital weighted Nikkei 300 closed down 5.19 at 295.85, below 300 for the first time since March 25. Declines overwhelmed advances by 1,005 to 105, with 102 unchanged.

In London, the ISE/Nikkei 50 index rose 2.88 to 1,413.04.

With the yen appreciating against the dollar and lingering fears of a rise in interest rates, market participants kept an eye on technical resistance levels. The Nikkei's breach of the 21,406 line, the closing level for the last business year in March, hit investor confidence and a further fall below 21,281, last Wednesday's intraday low, caused investors to take profits or to sell in the futures market.

Interest rate worries hit financials. Industrial Bank of Japan fell Y50 to Y2,440, and Dai-Ichi Kangyo Bank by Y20 to Y1,800: in brokers, Nomura Securities retreated Y60 to Y1,890, and Daiwa Securities Y50 to Y1,250.

Overseas investors sold automobile, high-technology, and large capital steels and shipbuilders. Although small lot bargain hunting supported the shares initially, stocks with high foreign ownership closed lower.

Toyota Motor lost Y70 to Y2,460 and Honda Motor Y70 to Y2,530; Hitachi dropped Y6 to Y968 and NEC Y30 to Y1,110.

Steels were actively sold. Kobe Steel, the most active issue of the day, fell Y4 to Y287. Mitsubishi Heavy Industries declined Y10 to Y900.

Individuals and dealers sold speculative stocks. Kyowa Hakko Kogyo, the chemical company, fell Y57 to Y973 and Ishihara Sangyo, a leading producer of titanium oxide, lost Y35 at Y390.

In Osaka, the OSE average fell 338.22 to 22,355.70 in volume of 13.3m shares.

Roundup

Foreign selling of blue-chip banking and finance issues, and falls elsewhere took BANGKOK to a new 15-month low. The SET index fell 18.19, or 1.5 per cent to 1,164.19 in turnover of Bt4.1bn.

Brokers said that there were worries that second quarter financial sector earnings would be disappointing and that, in addition, tight liquidity in the money market, with the overnight interbank at a seven-month high of 15.50-16.00 per cent in the morning, region contributed to the sell-off.

HONG KONG's weakness was accentuated by Tokyo, the Hang Seng index losing 47.01 to 10,798.29 as turnover dipped to HK$3.7bn. However, ABC Communications, the paging services operator, jumped 15 cents to HK$2.275 on rumours that it was in talks to sell its interest in SmarTone Mobile Communications.

Banks, due to release interim results in coming days, were in focus. Shares in HSBC Holdings rose 50 cents to HK$121.50 and Ka Wah Bank was 25 cents up at HK$2.750.

Sun Hung Kai rose 7.5 cents to HK$2.725 as the company said that it was in discussions with Shanghai International about the sale of part of its interests in certain financial services businesses.

China United (Holdings) lost 2 cents to 57 cents as the company said that it was in talks with a leading European investment fund for the "strategic disposal" of interests in a subsidiary company.

BOMBAY suffered an attack of nerves on budget day, with shares initially moving ahead, falling sharply as details began to to be unveiled, and finally bouncing back as investors came to the conclusion that the package was, after all, better than expected. The BSE-30 index recovered from a low of 3,748.77 to finish 9.75 higher at 3,807.60.

SEOUL drifted lower although selective demand was seen for smaller-cap shares. The composite index lost 1.30 to 838.75.

Shin Kwang rose Won800 to its upper limit of Won15,400 for the fourth straight session on expectations of better earnings.

Youngpoong Mine also went limit up, adding Won2,200, or 5.9 per cent, to Won39,700 on news that the company had found more gold reserves in a mine in Mali.

Samsung Electronics which spearheaded blue chip gains last week, fell Won1,700 to Won75,000. Samsung Fine Chemical went limit down, losing Won4,700 to Won73,700, on news that the Securities Supervisory Board was investigating suspicions of manipulation in the company's share prices.

TAIPEI was not impressed by reports that the central bank might lower reserve requirements during its August board meeting to stimulate the local economy, and the weighted index sank 51.53 to 6,159.08 and turnover fell to T$30bn from Friday's T$50.85bn.

SYDNEY ended weaker, but off its lows as bargain hunters spotted value among the resource leaders in the afternoon. CRA, BHP and WMC all finished at their highs as the All Ordinaries index eased 5.2 to 2,152.4.

Centaur, a nickel hopeful and one of the mining entrepreneur, Mr Joseph Gutnick's stable of companies, topped turnover in 11.4m shares as it rose 4 cents to A$1.74. Industrials remained handicapped by News Corp which fell 18 cents to A$6.45 after last week's US$2.48bn acquisition of New World Communications.

SINGAPORE saw foreign funds trimming their portfolios as the market was depressed by Saturday's report of a 6.1 per cent drop in June's non-oil exports. The Straits Times Industrials index fell 28.78 to 2,174.06, led down by banks.

KUALA LUMPUR fell 1.8 per cent on position trimming by fund managers and forced selling of second board speculative issues, particularly issues related to the Bakun dam project after their strong run last week. The composite index fell 14.43 to 1,111.97, and the Second Board by 12.70 to 491.37.

SHENZHEN's hard currency B shares rose 3.5 per cent on demand for companies that were expected to report healthy interim profits. The index gained 3.08 to 92.32.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 19 1996								THURSDAY JULY 18 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	195.50	1.9	187.30	133.76	151.29	164.39	2.0	4.40	191.56	184.04	131.82	148.79	161.22	212.18	175.72	178.20
Austria (24)	178.88	-0.2	171.38	122.39	138.43	138.36	-0.4	2.03	179.18	171.88	123.11	138.96	138.69	198.62	168.11	187.13
Belgium (27)	210.91	0.6	202.07	144.30	163.22	159.44	0.5	4.18	209.34	200.80	143.83	162.35	158.64	215.81	188.06	198.22
Brazil (28)	181.67	2.9	174.05	124.29	140.59	336.94	3.0	1.93	176.52	169.33	121.29	136.90	327.17	189.70	123.97	[illegible]
Canada (120)	158.66	0.0	152.00	108.55	122.78	157.03	-0.1	2.28	158.69	152.22	109.03	123.07	157.21	166.12	134.14	147.21
Denmark (33)	309.34	1.0	296.36	211.64	239.38	241.49	0.8	1.90	306.19	293.70	210.37	237.45	239.58	309.34	276.89	281.60
Finland (23)	192.18	0.6	184.12	131.48	148.72	162.30	0.2	2.74	[illegible]	183.29	131.29	[illegible]	[illegible]	276.11	171.75	253.07
France (96)	190.59	-0.3	182.60	130.40	147.49	150.73	-0.8	3.20	191.17	183.09	131.35	148.25	151.56	198.39	167.70	167.41
Germany (59)	173.10	0.7	165.84	118.43	133.95	133.95	0.5	1.85	171.82	164.82	118.08	133.25	133.25	174.38	155.66	163.53
Hong Kong (59)	421.72	1.3	404.03	288.53	326.35	418.92	1.3	3.41	416.45	399.47	286.13	322.86	413.67	451.19	348.81	369.77
Indonesia (27)	205.87	0.4	197.32	140.91	159.39	294.46	0.5	1.55	205.05	196.69	140.89	[illegible]	292.91	-	-	-
Ireland (16)	274.96	1.1	263.43	188.12	212.78	241.26	0.8	3.56	271.91	260.82	186.82	210.87	239.42	290.82	235.88	239.91
Italy (58)	78.44	0.1	75.15	53.67	60.70	88.67	-0.3	2.50	78.35	75.16	53.83	60.76	88.98	84.53	67.22	76.43
Japan (481)	150.64	0.0	144.32	103.06	116.57	103.06	-0.5	0.74	150.71	144.56	103.55	116.88	103.55	164.66	137.75	150.49
Malaysia (107)	557.81	0.2	534.40	381.63	431.66	534.65	0.3	[illegible]	556.41	533.73	382.30	431.50	[illegible]	585.09	425.77	547.01
Mexico (18)	1167.00	0.5	1118.04	798.42	903.08	9712.43	-0.1	1.37	1161.18	1113.84	797.82	900.51	9717.86	1325.65	791.99	[illegible]
Netherland (19)	289.99	0.9	277.62	198.40	224.41	220.92	0.6	3.26	287.48	275.76	197.52	222.85	219.55	299.69	245.79	258.22
New Zealand (15)	80.65	2.0	77.28	55.18	62.41	81.77	1.4	4.39	79.04	75.82	54.31	61.30	60.89	84.71	75.94	82.90
Norway (35)	250.79	1.1	240.27	171.58	194.08	217.89	[illegible]	2.08	247.94	237.83	170.35	192.28	216.06	258.94	222.24	239.33
Philippines (22)	211.43	0.9	202.56	144.65	163.62	276.01	[illegible]	0.55	209.56	201.01	[illegible]	162.51	273.48	-	-	-
Singapore (44)	400.45	1.3	383.65	273.98	309.89	261.56	1.2	1.45	395.32	379.21	271.62	305.58	258.51	465.21	355.81	387.54
South Africa (44)	351.27	1.4	336.53	240.33	271.83	337.05	1.4	2.15	346.29	332.17	237.92	268.55	332.31	437.76	339.18	350.29
Spain (37)	178.04	[illegible]	170.57	121.81	137.77	169.41	0.5	3.44	176.42	169.23	121.22	136.82	168.60	183.65	145.16	182.58
Sweden (48)	345.64	1.3	331.14	236.48	267.48	338.29	0.8	2.52	341.07	327.18	234.34	264.50	335.74	380.77	280.13	285.89
Switzerland (37)	246.09	0.5	235.77	168.37	190.44	185.60	0.3	1.60	244.76	234.78	168.17	189.62	184.99	252.34	191.24	202.75
Thailand (45)	159.78	0.1	152.12	108.63	122.87	155.94	0.0	2.12	[illegible]	[illegible]	108.98	123.01	155.88	193.95	[illegible]	172.16
United Kingdom (203)	232.71	0.8	222.94	159.21	180.08	222.94	0.5	4.20	231.33	221.89	158.94	179.40	221.89	237.48	216.52	220.04
USA (627)	259.85	-0.8	248.95	177.78	201.09	259.85	-0.8	2.27	261.86	251.18	178.91	203.07	261.86	276.47	224.83	224.83
Americas (793)	237.91	-0.7	227.92	162.77	184.10	200.03	-0.7	2.26	239.54	229.78	164.58	185.77	201.42	252.40	206.37	208.37
Europe (709)	209.19	0.6	200.41	143.12	161.98	180.57	[illegible]	3.13	208.04	199.56	142.94	161.34	179.99	213.30	189.33	194.22
Nordic (138)	299.89	1.2	287.30	205.17	232.07	256.79	0.7	2.40	296.41	284.32	203.66	229.87	254.99	306.61	261.13	274.73
Pacific Basin (880)	163.39	[illegible]	156.54	111.79	126.44	114.04	-0.1	1.20	163.06	156.41	112.04	126.46	114.19	177.01	148.86	160.90
Euro-Pacific (1589)	182.36	0.4	174.71	124.77	141.12	139.23	0.1	2.12	181.69	174.28	124.83	140.90	139.12	190.57	166.51	174.68
North America (747)	253.71	-0.7	243.08	173.58	196.33	253.05	-0.7	2.27	255.57	245.16	175.60	198.20	254.92	269.52	220.03	220.03
Europe Ex. UK (509)	191.19	0.5	183.17	130.81	147.96	155.58	0.2	2.56	190.16	182.43	130.67	147.49	155.20	194.66	169.65	175.70
Pacific Ex. Japan (399)	281.58	1.2	269.77	192.65	217.90	242.85	1.2	3.03	278.27	266.93	191.19	215.60	240.00	296.68	243.59	260.56
World Ex. US (1799)	183.64	0.4	175.94	125.64	142.11	143.75	0.1	2.12	182.92	175.47	125.68	141.86	143.57	191.55	167.36	175.63
World Ex. UK (2226)	204.50	-0.2	195.92	139.91	158.25	172.55	-0.3	1.99	204.63	196.48	140.73	158.85	173.11	213.05	185.61	187.66
World Ex. Japan (1945)	238.13	-0.1	228.14	162.92	184.28	224.46	-0.2	2.61	238.39	228.67	163.79	184.87	224.89	247.55	212.82	213.34
The World Index (2426)	207.30	-0.1	198.31	141.62	160.18	177.17	-0.2	2.19	207.19	198.74	142.35	160.68	177.62	214.95	[illegible]	190.50

CONSTITUENT CHANGES WITH EFFECT 29/7/96: Additions: Metro and Metro (Type 1) (both Large Cap) (Germany). Deletions: Asko Deutsche Kaufhaus, Kaufhof (Ord & Pref) (all Germany). Latest prices were unavailable for this edition.

هكذا من الأصل

BUSINESSES FOR SALE

Claire Broughton 0171 873 3234 — Fax 0171 873 3064 — Karl Loynton 0171 873 4874

Sole shareholder, on account of ill health, sell all his shares in his Swiss Ltd. Company with real estate of 120 holiday flats, hotel, multi-storey, car-park, tennis court, pool, fitness etc. in Germany.
Selling price at 1/3 of current worth (in accordance with investigation of a state-registered chartered surveyor).
Requires cap for debt-free cash settlement 15 Mio. DM.
Please write for further info to Code 234-101 154/002 to ofa Orell Füssli, P.O. Box CH - 4410 Liestal/Switzerland

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For Sale as a Going Concern

BESSACARR CARAVANS LIMITED

The Arnold Laver Group offers for sale their wholly-owned subsidiary, Bessacarr Caravans Limited, a South Yorkshire based manufacturer of high quality touring caravans and Autocruise motorhomes.

Bessacarr is a long-established and well respected name in the caravan industry. The company has a first class range of products, good manufacturing facilities and a workforce committed to maintaining high quality standards.

If necessary, the Group would consider selling the Bessacarr touring caravan and Autocruise motorhome divisions separately.

Interested parties should contact Mr K.Brocklebank, Executive Director, Arnold Laver & Co. Ltd. Bramall Lane, Sheffield, S2 4RJ, tel: (0114) 255 8181: Fax (0114) 250 8867.

(In Administrative Receivership)

The Joint Administrative Receivers, L.K. Denney and A. Peters, also acting as Law of Property Act Receivers over property at Claylands Avenue, Worksop, offer for sale the business and assets of the company, together with the property from which the business is operated, including:

- 2.5 acre site Dukeries Industrial Estate, Worksop, Nottinghamshire.
- Purpose-built grain handling facility with 12 main hoppers to handle 190 tonne each, computerised controls, fully mechanised.
- Good blue chip customer base.
- Turnover per audited accounts in excess of £5.8 million in each of the last three years.
- Approximately 6 employees – with requisite skills and experience.
- Situated in vicinity of large arable farming community, leading agri-businesses and with easy access to transport facilities.

For further information please contact Lindsay Denney or Karen Willis at Deloitte & Touche, 1 Woodborough Road, Nottingham NG1 3FG. Tel: 0115 950 0511, Fax: 0115 959 0979.

Deloitte & Touche

Deloitte Touche Tohmatsu International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

KPMG

PORTLAND

CATERING EQUIPMENT

The Joint Administrative Receivers offer for sale the *business and assets of this high quality servery counter* and display unit manufacturer based at Greetland, Halifax, West Yorkshire.

The principle features include:

- Market leader; quality standard ISO 9002 registered.
- Latest computer design and CNC manufacturing capabilities.
- Turnover of circa £3.5m pa.
- Long leasehold factory and offices of 68,000 sq ft on a site of circa 3 acres.

For further information contact the Joint Administrative Receiver, Geoff Adams. KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW. Telephone 0113 231 3000. Fax: 0113 231 3183.

KPMG Corporate Recovery

KPMG

Fairham Packaging Limited

The Joint Administrators offer for sale the assets and goodwill of Fairham Packaging Limited, a manufacturer of flexible packaging products located in Nottingham.

The principal features include:

- Manufacturers of a wide range of paper and polythene packaging products for retail, pharmaceutical and industrial customers.
- Leasehold premises.
- Experienced workforce.
- Turnover of £2m per annum.

For further information, contact the Joint Administrator, Mick McLouglin, KPMG. St Nicholas House, Park Row, Nottingham NG1 6FQ. Tel: (0115) 935 3535. Fax: (0115) 935 3500.

KPMG Corporate Recovery

LIQUIDATIONS AND RECEIVERSHIPS

Every week every company that has gone *into liquidation* or receivership what they did and who the liquidator or receiver is.

Tel 01652 680889 or Fax 01652 680867 For further details.

NICHE MARKET MANUFACTURING COMPANY

Exciting & unique opportunity for [illegible] to purchase a highly successful & profitable manufacturing company. Directors reaching retirement and without succession wish to sell the total shareholding of the company. Managing Director is willing to accept a "learning curve" contract with the purchaser. Based in the West Midlands.

Interested principals only. Write to B4648, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS SALE REPORT

The No. 1 independent listing of medium to large businesses for sale in the UK (T/O £1m+). For sub details:

0181-675 0200

SOUTH AFRICAN COMPUTER BUSINESS IN THE BUSINESS SYSTEMS MARKET

• Established 10 years • Circa 300 customers • All customers contracted for 3 year licences • 40% profit before tax • Skilled staff and excellent infrastructure • Growing at 100% per annum • Exchange control approved • Turnover this year R16,000,000

Reply to Box B4656, Financial Times, One Southwark Bridge, London SE1 9HL

When replying enclose an overview of your business

THE COALITION LIMITED TRADING AS "THE REPUBLIC"

IN ADMINISTRATIVE RECEIVERSHIP AND LIQUIDATION

The Joint Administrative Receivers, Stephen Mark Quinn FCA and Alan John Sutton FCA, offer for sale as a going concern *the assets of The Coalition Limited, a nightclub and cafe bar,* trading as "The Republic" in Sheffield, Yorkshire. Principal features are:-

- Forecast annual turnover £2 million
- Unique, recently converted multi-level nightclub
- Freehold property near to University campus
- Capacity 1300
- Trades 6 nights per week

For further details contact Stephen Quinn or Richard Walker Baker Tilly, Brazennose House, Lincoln Square, Manchester M2 5BL. Tel: 0161 834 5777. Fax: 0161 835 3242.

BAKER TILLY

Chartered Accountants

Authorised to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

Joinery / Construction / Exhibition Contracting Business For sale.

Due to the imminent retirement of the principals, an old established Midlands Group with a wide range of blue chip customers which is engaged in building contracting, shop fitting and joinery as well as exhibition contracting. Turnover in excess of 10m. Sale or merger would be considered.

Please reply to Box B4644, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

North England Plastic Injection Moulding Company.
Freehold Premises
Modern Equipment.
Turnover 1.4 Million Per Annum.

All enquiries to Box B4658, Financial Times, One Southwark Bridge, London SE1 9HL.

Knight Frank

Cotswold/Shakespeare Country

One of England's finest self-catering holiday cottage complexes
10 award winning period cottages, all deluxe rated, tastefully furnished and individually designed.
Timber framed period home with 3 reception rooms, 3/4 bedrooms, 3 en suite bath/shower rooms.
Landscaped gardens and grounds.
For sale freehold as a going concern.
Exeter 01392 423111 (I4DR/128037)

EAST MIDLANDS

Packing Case & Pallet Manufacturers
For Sale as a going concern.

Write to Box B4657, Financial Times One Southwark Bridge, London SE1 9HL.

Highly Reputed London (SW1)

International Financial Consultancy specialising in Hotels & Leisure, for sale due to ill-health of Chairman/Owner. Unquoted PLC. No immediate cash payment asked. Payment over 4 years as factor of prior year's earnings. Ideal for financial professionals. Contact Chairman on 0171 930 4848.

MODEL SHOP: MANCHESTER CITY CENTRE:

Excellent site, very well known, WT £14,250, same owners 45 years, L/up, Rent £413pw, BUSINESS £200,000 + SAV, Ref:2912

HARVEY SILVER HODGKINSON 0161 833 2000.

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Publishing business for sale with 3 major international titles circa £1,000.000 p/a.

Contracts for minimum 3 years. Potential for expansion.

Genuine enquiries only Please write to: Box B4563, Financial Times, One Southwark Bridge, London SE1 9HL.

Established Profitable Frozen Wholesale Distribution Company for Sale in Essex

T/O about £500,000 [illegible]

For further information write to: P.O. Box 234 Ilford, Essex IG6 1DH

NURSING HOME

Essex/London Border,

Purpose built 33 single + 9 twin rooms
Gross income £1,040,000
Profit before Dirs Rem £400,000+
For details contact: Martin Stone, FMCB Management Consultants Ltd, Hathaway House, Popes Drive, London N3 1QF
Tel: 0181 346 6446 Fax: 0181 349 3990
Email: FMCB@cityscape.co.uk

FOR SALE:

Plastic Laminate Fabricator (eg Formica).
Established 53 years. Turnover £ [illegible]
Also fabricators of corian & other solid surface materials. Further facilities include joinery & veneering. 20,000 sq ft premises plus offices. Location near J6 M25.
Phone/fax for futher information 01483-801873/1043 31306 ref ERS.

OLD ESTABLISHED COMPANY

With Commercial Property Portfolio current rent roll in excess £1.25m

Write to Box B4659, Financial Times, One Southwark Bridge, London SE1 9HL.

[illegible] manufacturing opera[illegible] [illegible] tooling, W.I.P. [illegible]

SALE OF LONDON BASED FAMILY COMPANY

Company under same ownership over 30 years has 2 businesses: established importers of optical goods, with some big accounts. Growing turnover/profits. Excellent prospects.

AND

Substantial portfolio of freehold shop premises/offices, all let on F.R.I. leases. Tenants including various Blue-Chip multiples.

Properties value approx £10m plus stock and cash approx. £1m. Assets unencumbered. Net taxable profit 1995 after remuneration, approx £750,000. 1996 probably higher.

Genuine reason for sale – some family members retiring. (Main director might stay on.) We do not wish to de-merge the two businesses which are therefore to be sold together. £16m cash only. Enquiries from principals or their retained advisors only.

Write to: Box B4412, Financial Times, One Southwark Bridge, London SE1 9HL.

CONTRACTS & TENDERS

PAKISTAN
HABIBULLAH COASTAL POWER (Pvt) COMPANY

SPECIFIC PROCUREMENT NOTICE

INVITATION TO BIDDERS FOR SUPPLY AND DELIVERY OF HV GENERATORS

The Habibullah Coastal Power (Pvt) Company (HCPL) will build, own and operate (BOO) a 140 MW ISO output natural gas fired combined cycle power plant to be located near the city of Quetta in northwest Pakistan in the province of Baluchistan. FiatAvio S.p.A. of Italy has been selected as the EPC/Turnkey Contractor for this private sector power project.

HCPL has applied a loan from the Long Term Credit Fund (previously Private Sector Energy Development Fund), of the Government of Pakistan (GOP), sourced from the World Bank and administrated by the National Development Finance Corporation (NDFC) in various currencies towards the cost of the Habibullah Coastal Power project in Pakistan, and it is intended that part of the proceeds of this loan will be applied to eligible payments under various procurement contracts.

FiatAvio S.p.A. now invites sealed bids from qualified suppliers from eligible member countries of the World Bank, and Taiwan, China for the supply of **FOUR (4) HIGH VOLTAGE GENERATORS** which will be financed by this loan, and for which procurement will be managed directly by FiatAvio S.p.A., using World Bank procurement procedures for International Competitive Bidding (ICB) as specified in the World Bank's *Guidelines: Procurement under IBRD Loans and IDA Credits* and is open to bidders from eligible source countries as defined in the guidelines.

Minimum Bidder qualifications include: i) proof of the successful operation for 10 years of similar HV generators manufactured by the bidder; and ii) successful operation of at least five (5) similar HV generators coupled to aeroderivative gas turbines.

A complete set of bidding documents will be available for purchase on July 23, 1996 by interested eligible bidders upon submission of written application and payment of a nonrefundable fee of US $200 by wire transfer to the below address.

Bids must be delivered to the below address on or before 12:00 noon (local time) on September 10, 1996 and must be accompanied by a security of a minimum of 2% of the Contract Price in a form as detailed in the Section VIII, Sample Forms. Bids will be opened in the presence of bidders' representatives who choose to attend at 12:00 noon (local time) on September 10, 1996 at the below address. In order to be considered qualified, bids must include a detailed capability statement whose requirements will be included in the Instructions to Bidders.

Please direct all inquires and submissions to:

Mr. Raffaello Miotto
Purchasing Department
FiatAvio S.p.A.
C.so Ferrucci, 112; 10138 Torino, Italy
Tel. +39.11.6858429 - Fax: +39.11.6858216
Telex: 221320

Please direct the payment of a nonrefundable fee to:

CREDITO ITALIANO
Via Arsenale, 23; 10121 Torino, Italy
ABI: 02008 - CAB: 01000
Account n°: 18010/00 - Beneficiary: FiatAvio S.p.A.
Wire Transfer Subject:
Habibullah Coastal Power Project
Loan n° 3812-PAK, IFB n° 01-FA

KOSSUTH KH HOLDING

TENDER INVITATION

The Municipality of the City of Budapest
with Kossuth Holding Trustee Co. Ltd. acting as advisor announces the first round
of an open, two round, international privatisation tender
of the Waterworks of Budapest Company Limited by Shares,
for the pre-qualification of Bidders

The winner of the tender will be entitled after the conclusion of a Syndicate Agreement to purchase a minority stake from the 581.478 shares, each of a nominal value of HUF 100.000 and 22 shares each of a nominal value of HUF 10.000 held by the Municipality of the City of Budapest representing 99.23% of the registered capital of HUF 58.600.310.000 of the Waterworks of Budapest Co. Ltd. and from the shares held by the muncipalities of Halásztelek, Szigetszentmiklós, *Budakeszi* and *Szigetmonostor*. Bids are expected to be submitted by strategic investors - by consortia of strategic and financial investors - having references in water supply of a city similar in size to that of Budapest.

The objectives of the first round of the tender are to examine Bidders' professional eligibility and to select Bidders to be *invited to the second round. Basic terms for bidding and the information memorandum introducing the Waterworks* are contained in the tender documentation which was prepared in the Hungarian and English languages and whose purchase is a prerequisite for participation in the tender. The purchase price of the tender documentation is HUF 750,000, VAT included. The purchase price is to be transferred to the bank account of the advisor with Magyar Takarékszövetkezeti Bank Rt. under bank account number 11500102/10013508 or to be paid in cash at the counter of the bank. Checks for payment are available between 9 am and 4 pm on weekdays at the address of advisor (1065, Budapest, VI. District, Bajcsy-Zsilinszky út 37. 1st floor) or by mail. The tender documentation is available at the above given date and place *against the presentation of the receipt certifying the payment of the purchase price and after the signing of the* confidentiality statement.

The language of the tender procedure and of the documents prepared in the course of and as a result of the tender procedure *is Hungarian, Hungarian law shall apply. Bids for the first round are to be submitted in 8 identical Hungarian* copies, in a closed envelope, until 11 a.m. Budapest time on September 23, 1996, at the address of advisor. One copy out of the eight copies – annexes included – shall be marked "Eredeti" (Original) which copy shall be initialled on each page. Additionally to the Hungarian copies of the bid, an English copy may be enclosed, however, the Hungarian copies shall be held controlling. Bids will be opened on the headquarters of the Waterworks of Budapest Co. Ltd. (Budapest, *XIII, District, Váci út 23-27), at 11.30 a.m. on the day of submission, in the presence of a public notary.* One representative of each bidder having purchased the tender documentation and submitted a bid may participate in the opening. Representatives shall certify their right to participation.

The first round shall be evaluated within 30 days of the date for submission and Bidders who may submit a detailed technical and financial bid in the second round will be selected. Bidders will be notified about their invitation to the second round and the terms and conditions of participation - or their exclusion from further bidding - within 8 days of the *deadlines for the evaluation of the first round. Terms for bidding in the second round* will be delivered to Bidders invited to the second round, free of charge.

Bids for the first round will be evaluated by an evaluating committee; the decision on the result of the first round will be made by the Ownership Committee of the *Municipality* of the City of Budapest, which may declare the tender as unsuccessful without giving a reason.

Mr Tamás Barát, the Deputy General Manager of Advisor is ready to be at your disposal in providing any further information concerning the tender procedure (mailing address: H-1399, Budapest, Pf. 701/438, phone number: (00-36-1) - 1120650, fax number: (00-36-1)-111-3443).

(The present announcement is the English language re-print of the original announcement published in the Hungarian press on July 22, 1996)

TV sport deal ruled unlawful

EUROPEAN COURT

A decision by the Commission to exempt from EC Treaty competition rules the European Broadcasting Union agreement permitting exclusivity of rights to transmit sports events was unlawful and had to be annulled, the Court of First Instance has ruled.

The ruling arose out of proceedings brought against the Commission by a number of commercial television companies who were not members of the EBU. They sought to annul the Commission's decision exempting the EBU Eurovision system which accorded members favourable and priority rights to sporting events. The Commission was supported before the court by the EBU and by some public-sector broadcasters who were members of the EBU.

The Commission had found that the object and effect of the internal provisions and other regulations of the EBU governing the joint negotiation, acquisition and sharing of television rights to sports events was greatly to restrict, if not to eliminate, competition between its members contrary to competition rules. However, the Commission decided to grant the Eurovision system an individual exemption on the basis that the rules provided for a number of countervailing benefits. The exemption was subject to several conditions imposed upon the EBU and its members in relation to the way in which they acquired television rights to sports events.

By way of preliminary submission, the Commission sought to argue that some of the applicants were not directly and individually concerned by the decision because they had not availed themselves of the opportunity to make written or oral observations during the Commission's administrative procedure. The court rejected these submissions and held that the fact that an applicant had not participated in the Commission's administrative procedure prior to the adoption of the decision did not affect its capacity to bring proceedings at a later stage by way of judicial review.

The court then considered two main aspects of the applicants' arguments. First they submitted that the discriminatory nature of the EBU's membership rules should have precluded the exemption granted by the Commission. The court observed that where Community institutions had a power of appraisal in order to be able to fulfil their tasks, respect of the rights guaranteed by the Community legal order in administrative procedures was of fundamental importance.

Those guarantees included the duty to examine carefully and impartially all the relevant aspects in the individual case. The court found that the Commission failed to examine whether the EBU membership rules were objective and sufficiently determinate so as to enable them to be applied uniformly and in a non-discriminatory manner. The court held that the Commission should have concluded that it was not even in a position to assess whether the corresponding restrictions were indispensable so as to justify exemption, and that therefore it should have held that the agreement could not be exempted.

Second, the court considered the submission that it was wrong to take into account the concept of particular public mission which, according to the decision, EBU members had to fulfil. Here also the court found that the Commission had erred in law and that this was likely to have distorted the assessment which it made of the indispensable nature of the restrictions of competition for which it had granted exemption.

The court held that the Commission would not have been justified in taking into account, for the purposes of exemption, the burdens and obligations which arose for the members of the EBU as a result of a public mission, unless it had also examined, carefully and impartially, the other relevant aspects of the case, such as the possible existence of a system of financial compensation for those burdens and obligations.

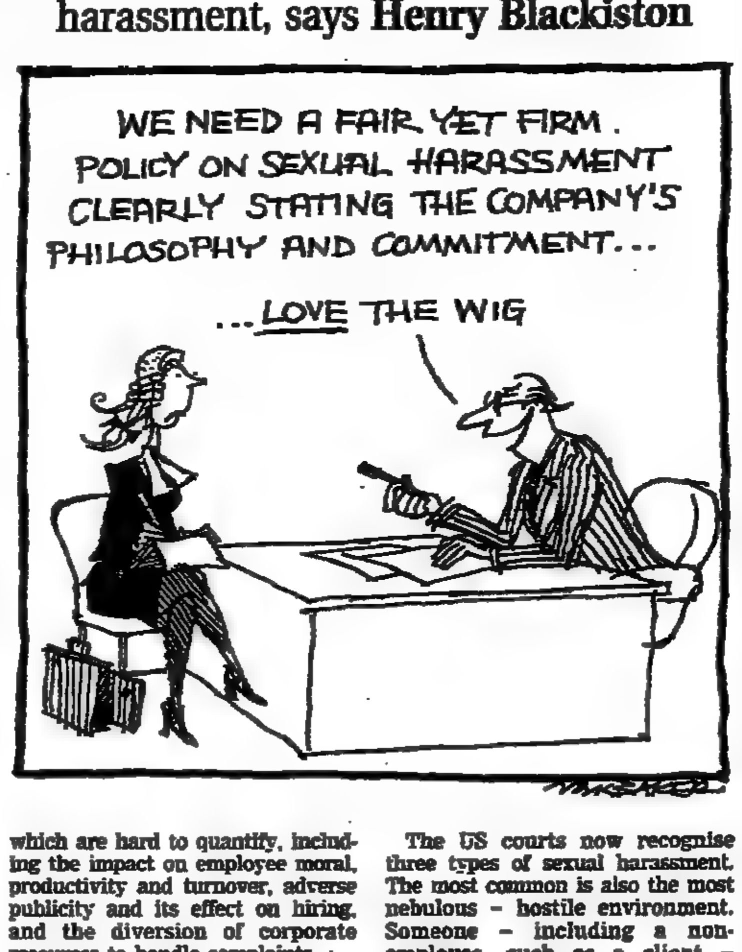
The court therefore annulled the Commission decision which had exempted the EBU Eurovision system from the application of the EC competition rules.

Joined Cases T-528/93, T-543/93 and T-546/93: Metropole Television SA and others v Commission, CFI (1st Chamber, extended composition), 11th July 1996.

BRICK COURT CHAMBERS
BRUSSELS

When the line is crossed

Companies should be tougher on sexual harassment, says Henry Blackiston



In the murky waters of sexual harassment one thing is clear: the tentative response of many companies to this complex problem is becoming increasingly inadequate. The result is a chilling of the workplace and a threat to the bottom line.

A few decisive, relatively simple measures can help reverse this. But many companies continue to derive a false sense of security from simply having a written sexual harassment policy, sandwiched safely between the dress code and the vacation policy.

The idea of breathing life into the policy with a proactive education and enforcement programme seems risky to many executives, who fear that greater awareness will encourage complaints and lawsuits.

But a can of worms is easier to handle when you open it yourself – and the lid is coming off this one.

Earlier this year 29 women brought a lawsuit against Mitsubishi Motor Manufacturing of America and investigators for the Equal Employment Opportunity Commission have alleged that as many as 500 female employees at a Mitsubishi plant in Normal, Illinois, may have been harassed.

Sexual harassment claims filed with the commission and affiliated state agencies have nearly tripled over the past six years to almost 16,000 in 1995. The value of awards against companies nearly quadrupled to $22m over the same period and, at this rate, will pose a $100m problem in another five years.

And because available statistics exclude payments made privately by corporations – whether to compensate victims or to avoid publicity and legal expenses – this represents just a fraction of the total.

Cases that go to court further drive up the costs. The price of defending a company from one claim – whether justified or not – now averages $50,000. If the victim wins, the company must also pay his or her legal expenses.

Out-of-court settlements and court awards must also must be tallied. Punitive damages imposed by juries to penalise the employer for failing to take the issue seriously are increasingly added to compensation for economic loss and emotional distress.

A recent jury award included not only $35,000 (£22,727) in compensatory damages, but also $50m in punitive damages (later reduced to $5m). A survey last year indicated that the average cost per sexual harassment case to a Fortune 500 company, win or lose, is $500,000. And another recent study estimates that the average annual cost of lost productivity, absenteeism, turnover and severance incurred in connection with sexual harassment is $8.7m.

The problem also involves costs which are hard to quantify, including the impact on employee moral, productivity and turnover, adverse publicity and its effect on hiring, and the diversion of corporate resources to handle complaints.

Another negative impact is the effect on the work environment. Vague or unknown guidelines fail to deter the predatory while leaving the well-intentioned without guidance, no longer sure about how to socialise with co-workers.

Despite greater awareness, many executives would be hard-pressed to define sexual harassment accurately, much less explain the fine line between innocent friendliness and illegal behaviour. Take for example the company which discovered through a complaint to the commission that its male chief executive was having an affair with a female subordinate. The woman, who never filed an internal complaint, admits she was a consenting participant for two years. Is the company liable? Probably yes, if the woman can show the relationship was "unwelcome".

The US courts now recognise three types of sexual harassment. The most common is also the most nebulous – hostile environment. Someone – including a non-employee, such as a client – subjects an employee to unwelcome sexual conduct that is either egregious or constant enough to create a hostile or offensive work environment. The conduct can be verbal, physical or visual, for example, being in earshot of frequent sexual conversations or being regularly greeted by a client in an inappropriate manner.

The second type is "quid pro quo", when a superior makes sexual advances to a subordinate, linking the advances – explicitly or implicitly – to the subordinate's job. Penalising a subordinate for refusing an invitation, even if work was never mentioned, is another example. In these cases the company is almost always liable to the victim, even if no one else in the organisation knew about it until the charge was filed. The third type is retaliation against an employee for making a complaint or expressing opposition to harassment.

In this environment, the best defence for companies that wish to protect employees and reduce the risk of being sued is a proactive policy that is rigorously enforced. To achieve this, companies should:

- Ensure their policies are comprehensive, stating the company's philosophy and commitment to deal swiftly and forcefully with sexual harassment. The policy should include clear definitions of sexual harassment, covering subtle and blatant behaviour. It should delineate the procedures for making complaints and the company's internal investigation process. It should also spell out explicitly the consequences for harassment as well as those for making false and malicious complaints.
- Conduct mandatory seminars which should drive home the law and the company's policy. They should make clear that sexually suggestive conduct, including teasing and joking, is inappropriate. These seminars should also train management and supervisors on their responsibilities and the consequences of failing to meet them.
- Win employee confidence in internal procedures by ensuring these are fair, accessible and confidential. This may obviate the need for an employee to file an external public claim. Establish formal and informal channels for making complaints. Investigate all complaints thoroughly and swiftly, and protect victims and witnesses against retaliation.
- Treat the accused equitably – failure to do so may result in a lawsuit. Promptly inform the accused individual of the complaint and that an investigation is under way. Assure him or her there is no presumption of guilt.
- Punish harassers with appropriate, prompt action. This limits liability, especially if the case ends up in court. Assess the effectiveness of sanctions with periodic follow-up.
- Be consistent. Enforce the policy and apply disciplinary sanctions consistently, regardless of the harasser's position in the company.
- Ensure the victim is back where he or she would have been – financially and professionally – if the harassment had never occurred. This includes compensation for any costs related to the harassment, such as counselling fees or unpaid time away from the job.

The right policy is critical, but the most effective managerial tool is to foster a culture of respect that extends to every member of the organisation. Respect discourages harassment and encourages productivity. It saves money too.

The author is a partner in Shearman & Sterling, the New York-based international law firm.

LEGAL BRIEFS

Firms report rising profits and tighter margins

More than 70 per cent of the top 1,000 UK law firms increased profits on last year, but margins continue to be squeezed, a survey by accountants Coopers & Lybrand has concluded.

The survey, commissioned by The Lawyer, shows the best-performing firms came from both ends of the size spectrum. Nearly 90 per cent of the larger firms reported increased profits and 94 per cent increased billing per partner. Of firms with four or fewer partners, 93 per cent reported increased billing per partner.

The trend of increasing mergers to produce larger firms continues, the survey said. However, being small does not necessarily mean unprofitable. Small niche firms can be extremely profitable and often tend to be very well run.

However, with 10 per cent of firms reporting profits down by 10 per cent or more, there is still a group experiencing real financial difficulties. "The number of law firm failures continues to be a feature of the profession which firms ignore at their cost," the survey warned.

The best-performing firms came from central London and north-west England.

Croatian link

Stephenson Harwood, the London law firm, has signed an association with Croatian firm Zuric and Partners. The link developed from the shipping-related work carried out in Croatia by the London firm.

Partner switches

Kent Rowey, a US lawyer specialising in project finance, has joined Freshfields, the City law firm. He was previously a partner with Perkins Cole in London.

Sony movies hire cost-effective star

The capture of the genial Robert Cooper from HBO Pictures by Sony's film division is a coup for its Japanese owners, who have seen quite enough big spenders in charge of its movies in the not-so-distant past.

Cooper comes with a fine reputation as a maker of low-budget films for television. As president of TriStar, he is expected to play the lynch-pin role in carving out distinctive roles for SPE's production companies.

Columbia will be the blockbuster brand, TriStar will probably generate more thoughtful material, while Castle Rock Entertainment, the subject of purchase negotiations between Sony and its current owner, Turner Broadcasting System, could fit comfortably somewhere in the middle.

Cooper said last week he expected to have considerable freedom within a range of budgets, and was not keen to become "one-dimensional" man on the TriStar lot. He said he particularly liked TriStar's previous efforts such as Sleepless in Seattle – "small physically [with] great size emotionally.

HBO has blossomed under the 51-year-old Cooper into a leading provider of material for pay-TV programmes. He has helped upgrade the genre by collaborating successfully with class acts such as director, John Frankenheimer.

The company has amassed an impressive tally of television's versions of the Oscars and nominations, and has won 30 Emmys over the past eight years.

Known as a man of a collaborative rather than confrontational bent, and passionate about film but lacking any affection for froth, Cooper's mettle is about to be tested as he picks up the threads of TriStar's current list of films in development or early production.

These include an effort by the renowned prima donna of Hollywood, Barbra Streisand, whose ego has recently been inflated further by the opening of a museum in her honour in one of San Francisco's more colourful *quartiers*. *Christopher Parkes*

Senior move at KPMG

KPMG, the Big Six global accountancy and business advice group, has appointed the chairman of its New Zealand firm as its first non-US/European chief executive.

Don Christiansen will spend half his time on long-haul flights as he works to bring together KPMG's various national firms into a more coherent international network.

In April this year Jon Madonna stepped down as chairman and chief executive of the US firm to concentrate on being chairman of the global firm. Christiansen will be based in Amsterdam and operate as a global "general manager".

Both moves reflect the increasing investment by KPMG in the global network. Christiansen joined KPMG's founding firm Gilfillan Gentles and Steen from Auckland University. He spent eight years in London from 1966 – initially with Peat Marwick but later as UK marketing manager for Black and Decker. He rejoined Gilfillan in 1973. *Jim Kelly*

Escape from New York

Michel Kruse, a German-born banker who has made it into the top echelons of US finance, professes little affection for the city that has been his adopted home for the past 15 years.

"I don't really like New York," says Kruse, who lives in a nearby Westchester County suburb. "I just got stuck here." He now has the perfect chance to escape. Last week the 52-year-old executive quit abruptly from Chase Manhattan, which became the US's biggest bank on its merger with cross-town rival Chemical earlier this year.

Kruse's departure provides further evidence of how power in the bank has gravitated to Chemical executives. An exodus of talented staff from what was once known as the Rockefeller Bank has left only Tom Labrecque, Chase's former chairman, with a seat at the top table.

Kruse, formerly in charge of commercial and investment banking, was one of the most highly regarded Chase bankers. At the time of the merger with Chemical, much was made of his decision to accept a job overseeing risk management and finance – an indication, Chemical executives said, of how both sides would have a say in the running of the new bank.

Kruse does not seem likely to rush back into banking. In recent months, his name has been linked fleetingly with other institutions – such as Bankers Trust, which has just overhauled its top management team.

But he says that, after several years of long working days, he is ready for a change. The intellectual challenge of teaching at a university appeals. So does giving over more time playing the flute – something he has had little chance to do in recent years.

"I have no experience of being set free," says the former banker, who only last year obtained a US passport. He muses: "I may get totally bored." *Richard Waters*

Investment bankers

John Howland-Jackson, one of three deputy chief executives at NatWest Markets, the investment banking arm of NatWest, is moving to Hong Kong with the additional role of chairman of its Asia Pacific region. Philip Deer, currently Asia Pacific regional managing director, meanwhile returns to London with a new role as senior managing director, international business.

Howland-Jackson, 47, says that NatWest is building a "very different" management team in London, partly as a result of the Gartmore and Greenwich Capital acquisitions, and that everyone is being reassigned to "play to their strengths". In his case, those include having spent about half his 24-year City career on Asian business. Before joining NatWest in 1993, he worked at Nomura International, where he rose to be co-president. He retains the title of deputy chief executive but relinquishes his responsibilities for corporate finance and client coverage. A successor has not yet been named. *Katharine Campbell*

ON THE MOVE

■ James Hutchin has been appointed by INTERNATIONAL RISK MANAGEMENT GROUP (IRMG) – an affiliate of Swiss Re – as managing director, global risk management consulting. Hutchin joins from Willis Corroon International, where he was managing director.

■ Stephen Schroeder has been appointed director of regulatory affairs at COOKSON AMERICA; he joins from Goodwin, Proctor & Hoar, a Boston law firm.

■ Jennifer Laing, chairman of Saatchi & Saatchi UK, has been appointed to the executive board of SAATCHI & SAATCHI ADVERTISING WORLDWIDE.

■ David Plumer has been appointed by Mailfast, a division of TNT EXPRESS WORLDWIDE, as its new regional vice-president, Europe, based in Amsterdam. Plumer has been general manager for the east European region since 1995. Laurence Shuter becomes regional manager for Northern Europe replacing Larry Klimczyk, who joins Mailfast Australia as general manager.

■ Luigi Mencarelli has been appointed director of strategy, business planning and marketing for Integris, GROUPE BULL's outsourcing business. He was most recently principal at Gemini Consulting.

■ Georg Kellinghusen is retiring from the executive board of VARTA from August 14. He is succeeded by Georg Prilhofer, currently general manager of the Varta subsidiaries in Austria and head of the automotive battery division.

■ Charles Jamieson has been appointed managing director of the AUSTRALIAN TRADE COMMISSION, taking over from Ralph Evans, who is retiring. Jamieson began his career as a trade commissioner in 1971 and is currently responsible for South Asia, the Middle East and Sub-Saharan Africa.

■ Irish Food group GOLDEN VALE announced that Jim O'Mahony had resigned as chief executive of Golden Vale Food Products Limited. He has also resigned from the board of Golden Vale.

■ Gary Maude and Derek White have been appointed to the board of HRC Development, the exploration offshoot of ELDORADO CORPORATION, which earlier this year announced a c$150m asset swap with Gencor. Maude is an executive director of Gencor. White is finance coordinator (Gold Business) of Billiton International Metals, a subsidiary of Gencor. Gary Maude, Derek White and David Hottman join the board of Eldorado Gold. Hottman is a founding member of the company and director of corporate development. Arthur Jones has resigned as a director of the company.

■ Mark Speizer becomes chairman and chief executive of NATIONAL INSURANCE GROUP, a provider of information and risk management services to financial institutions. Bruce Cole becomes president and acting general counsel. John Gaulding, chief executive and other senior management have resigned. Gaulding will remain as a consultant for two years.

■ GOLDEN BOOKS FAMILY ENTERTAINMENT, the publisher, has named three vice-presidents as sales and marketing directors within its children's publishing group. Doug Guendel in charge of mass market and independent distributors; Josalyn Moran joins from Scholastic to oversee special and educational markets, custom publishing; and Lisa Tomasello joins from Simon & Schuster to look after bookstores and specialty retail.

■ FANNIE MAE, the US Federal National Mortgage Association, has appointed Theodore Chandler as vice-president for housing impact in the company's western regional office. Chandler was director of the Boston Partnership office.

■ Kurt Ruttum has been appointed as vice-president and general counsel at PHOENIX GOLD INTERNATIONAL with effect from October 1.

■ The Philippines' NATIONAL STEEL CORPORATION chairman Luis Mirasol has resigned. Two government representatives on the company's board – Jesli Lapus, president of Land Bank of the Philippines and Alfredo Antonio, president of the Development Bank of the Philippines – have also resigned. More resignations are expected after Wing Tiek Holdings, a Malaysian company, has completed the purchase of 54.5 percent of the company.

■ Jeffrey Harris, currently assistant to the director of the Central Intelligence Agency, has been appointed president of SPACE IMAGING, the provider of commercial satellite photos. The company will launch its first satellite in 1997.

■ WEST INFORMATION PUBLISHING GROUP, the completing team since the merger of West Publishing and Thornton legal publishing interests, have announced several new management positions. They are James Greenawalt, senior vice-president of human resources; Sandy Flynn, executive assistant to the president; Ruth Stanoch, vice-president of corporate communications; David Oliveiri, vice-president, business development; and George Taylor, executive vice-president and chief operating officer, Thomson Legal Publishing.

■ Judith Craven has been elected to the board of SYSCO, the American food service company. Carolyn Mitchell has been elected secretary of the corporation, from September 1. She replaces La Dee Riker, one of the original six employees when the company was founded in 1969, who is retiring.

■ Stephen Walker has been appointed head of New Zealand equities at AMP INVESTMENTS, Australia's largest pension fund manager. He will be responsible for the management of New Zealand's largest equity portfolio, valued at over $1bn.

■ David Roche has been appointed senior vice-president of GENETECH's sales and marketing. Judy Heyboer becomes senior vice-president of its human resources division. Roche was previously vice-president of sales and marketing for Janssen Pharmaceutica USA. Heyboer was senior vice-president at Acuson Corp.

■ Tom Kalinske has resigned as president and chief executive of Sega of America to take a position with EDUCATION TECHNOLOGY, a start-up company backed by Laurence Ellison and Michael Milken. Shoichiro Irimajiri, executive vice-president of Sega Enterprises replaces Kalinske as chief executive and has also been named chairman. Kalinske will retain his seat on the boards of Sega Enterprises and Sega Holdings.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Colourful statements of intent

Abstracts from a small gallery make a splash at the Barbican, writes **William Packer**

A change is as good as a rest and, like most of us, a gallery sometimes needs to get away for a bit to get a good look at itself. The Reed's Wharf is not the first gallery to do just that, nor the first to take advantage of the ample if awkward spaces of the Barbican's curving Concourse Gallery.

But the exercise is interesting and worthwhile nevertheless, surprising us, and no doubt the gallery itself, by the evident strength and variety of the Reed's Wharf stable of painters. For a comparatively new gallery that has only a constricted, albeit spectacular, space to have established itself so quickly is no small thing.

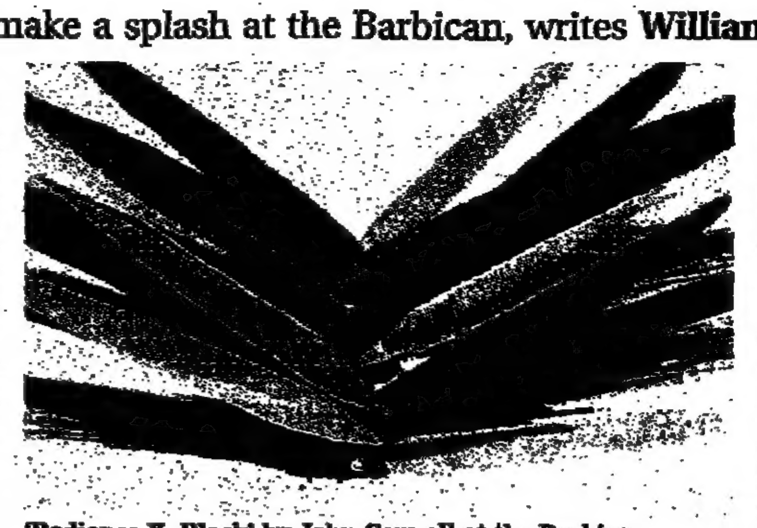
To make a show of current British abstract painting in the present critical climate is to make a statement of a most positive kind. To interest the more recondite and influential of our art world masters, Turner Prize jurors, for example, such work may have to satisfy certain criteria of avant-garde orthodoxy – it must bear a conceptual gloss of some sort, "investigate the language of paint" perhaps, "address the issues of perception" or "break down the structure of image and process". But the truth is that, in terms of both interest and practise, the work springs from a wider, more general and intuitively established base.

All painting, of whatever kind, has always investigated the language of paint, deconstructed process and image, addressed the issues of perception and intention, to a lesser or greater extent. But it is done naturally, intuitively and unselfconsciously. That, in great part, is what painting is about.

And with abstract painting especially, with no external reference to accommodate, the work is inevitably about the act of painting, the nature of the mark or gesture, the quality of touch and surface, by all or any of which the image will be achieved. Such solipsism is interesting in itself, but it will always be the quality and distinction of what is done, in the way that it is done, that will distinguish the interesting from the banal, the good from the bad. The problem is only that theory and concept are too easily the last refuge of the inept or meretricious, and work that stands too self-consciously upon them is too likely to have little else to justify it.

There is nothing of that sort at the Barbican, but only work to represent a broad range of serious engagement, by some 16 artists old and young, from the hard-edge dazzle systems of Nick Gammon to the lush and atmospheric expressionism of Diane Howse.

The senior and more established artists are, it must be said, the more immediately impressive, with John Copnall in particular holding centre-stage with his large canvases and strong clean colour. He does, indeed, make the point very clear, that there can be no painting without structure and order. In his case the structure and hence the pictorial space are direct functions of his ordering of the broad overlaid swathes of colour, transparent or opaque, that splay out from a given point. And yet for all the control, there is nothing to prepare us, or him, for the vibrant presence of the image itself, which structure and process merely serve. Each canvas is an adventure.


'Radiance X. Black' by John Copnall at the Barbican

Barrie Cook is less obviously exuberant, with his systems of columns, discs and stripes sprayed into a state of judicious imprecision to hold an ambiguous space, like ectoplasm or the filament of a bulb. One system will invade another, either by intrusion from one side or another or by superimposition, making the space even more ambiguous. They are delicate, discreet and very beautiful things.

Trevor Sutton is the most discreet, a painter of extraordinary subtlety, discretion and refinement, whose work gives the lie to the belief that minimalism is necessarily empty and sterile. He shows a number of fairly small canvases of which the surface, which is to say the image, is divided by a single line, straight or gently curved – half and half, side by side, above or below. And who would believe that a simple abutment of a cool, light green to a darker olive, or a brown above grey, could be so richly and imaginatively seductive.

Erica Lansley shows new paintings done in Ireland, in which an organic or calligraphic figure is either laid pattern-like across the surface, or selectively obscured by a simplifying veil or screen. Jason Gathorne-Hardy lays an ochre ground of mud, warm or cool, which he then smears, scrapes or otherwise modifies into a rhythmical and freely calligraphic cursive all-over image, like a pattern of paper streamers or a bag of ribbons or thicket of leaves.

Solipsistic as ever, the image comes out of the process of making and marking and so goes round and back again. It is the character of everything in this intriguing show.

Cross Currents: Concourse Gallery, Barbican Centre, Silk Street EC2, until September 1. Also at Reed's Wharf Gallery, Mill Street SE1, until August 28.


Out of tune with the 1960s: 'Promises, Promises' tries to swing but fails to come to grips with it

Alastair Muir

Theatre/Ian Shuttleworth

Broken promises

What do you get when you watch this show?| – A screenplay rewritten by Neil Simon,| Half-polished tunes and laboured rhymin':| I-I-I'll never watch this show aga-a-ain.

Sunset Boulevard is hardly the first movie to be turned into a stage musical; in fact, it is not even the first Billy Wilder movie to be so treated. *Promises, Promises* is based on Wilder and I.A.L. Diamond's screenplay for *The Apartment*; you know, the one where insurance clerk Jack Lemmon angles for promotion by letting executives use his flat for assignations, only to find that his boss Fred MacMurray is stringing along Lemmon's unrequited inamorata Shirley MacLaine.

Indeed, this 1968 show is based so closely upon the screenplay that virtually all the main gags are Wilder and Diamond's rather than originals by the stage writer – surprising, given that the book is by Neil Simon. Even the mighty songwriting team of Burt Bacharach and Hal David come frequent croppers, indulging in ill-advised experiments in switching time signatures and/or metre.

Introductions to numbers repeatedly promise Bacharach gems – specifically, under Stuart Pedlar's musical direction, those jaunty piano rhythms lead us at least half a dozen times to expect an imminent inquiry as to whether we know the way to San Jose – only to subside into run-of-the-mill stage-musical fare; the 22-carat exception, "I'll Never Fall in Love Again" halfway through the second act, is too little, too late.

John J.D. Sheehan's production for The Manhattan Project falls down in every important respect . . . almost literally so on the press night, with a doorknob and a telephone lead making breaks for freedom, props not set on stage or dropped with a crash behind the scenes, and hesitant lighting changes. The (mysteriously uncredited) set design is over-fussy at the best of times, leading to long and sometimes botched scene changes.

Fatally, Sheehan attempts to make the show go with a 1960s swing, but either he or his cast are unable to get to grips with period camp. His female chorus, frugging in poorly drilled near-unison, even achieves the almost impossible feat of fudging a party-time parody of girl singing groups.

Marcus Allen Cooper as Chuck grins a lot at the audience, overplaying every laugh line with dire consequences; Vanessa Cross makes an anodyne Fran, and Murray Woodfield is cold and detached even by the standards of his character, the cold, detached J.D. Sheldrake. Consistent comic skills are shown only by a couple of supporting actors, Joyce Springer as bar-room pick-up Marge MacDougall and an enjoyably grumpy Harry Dickman as Chuck's acerbic neighbour Dr Dreyfuss.

The show's title is an apt one: seldom does a production promise so much and deliver so little. It may even stop the Burt Bacharach revival dead in its tracks.

What do you get when you watch this show?| – Some overplayed gags and self-conscious prancin';| You can't call it actin', can't call it dancing':| I-I-I'll never watch this show aga-a-ain.

At the Bridewell Theatre, London EC4, until August 11 (0171-936 3456).

The Proms/**Richard Fairman**

Sun shines on the classics

The weather forecast for the classical music business is doom and gloom. Professional observers of the industry predict ever dwindling audiences, orchestras and opera houses in the UK going to the wall for lack of funding – in short, a permanent depression.

Then the BBC Proms start and the sun comes out again. At the weekend the Proms embarked on their second century with every sign of being fitter and intellectually more energetic than any festival half their age. The sight of a Royal Albert Hall filled night after night with young people must be enough to turn the rest of the country's concert halls green with envy.

Part of the secret lies in accessibility and now Nicholas Kenyon, the Proms' new director, is looking to play his trump card to a still wider audience. He will hold the Last Night of the Proms simultaneously in Hyde Park, partly as a relay from the Royal Albert Hall. Weather permitting (remember Pavarotti in the park and the biggest downpour for years?), up to 40,000 people are expected to attend. It may not have much impact on the rest of the season, but as a symbol of the Proms' desire to reach out to the public at large, this is as eye-catching as one can get.

With live television and radio broadcasts, the opening night on Friday will have had a big audience too.

What we had this year was a decent performance of Haydn's *The Creation*, or in this case *Die Schöpfung*. I imagine that in the early years of the Proms any oratorio that could be sung in English was. But fashions change and this performance settled for a compromise, which combined the Victorian-sized choir and conventional orchestra of old with more recent tastes, such as the German text and "authentic" early timpani and fortepiano (though not, as far as one could tell, any other instruments).

The BBC Symphony Orchestra had been scrupulously rehearsed by Andrew Davis and played to an appropriately festival standard; every trilling bird was cleanly articulated, and Adam and Eve were accompanied by an aura of cool, classical poise. Davis kept the orchestra down so that the three German soloists – the sweet-voiced Juliane Banse, tenor Hans Peter Blochwitz and baritone Wolfgang Schöne – could make themselves heard with ease. The BBC Symphony Chorus sounded equally well prepared. All that was missing was the sense of performers letting themselves go – but that "all" was the difference between precise music-making and an artistic experience.

The really uplifting start to the season came on the second night with a rare Proms outing for an Italian grand opera.

After the Royal Opera's production of *Don Carlos* (in French) for this summer's Verdi festival, it must have looked like inspired programming to follow up with a concert performance of the opera in its more familiar guise as *Don Carlo* (the 1886 five-act version in Italian); but there were also commercial reasons in the background. Philips Classics had just been recording the opera in London. Hence the high standard of musical preparation and the casting of three of the company's star Russian singers.

In the event, however, only two turned up. Galina Gorchakova withdrew and her place was taken by Sylvie Valayre, a young French soprano with a voice which goes into overdrive above the stave, where she has the technique to deliver top notes either blazingly loud or quietly floated on demand.

Her Don Carlo was Richard Margison, who gave very good value with his strong, bright singing (some occasional tightness at the top apart) and clear words. Dmitry Hvorostovsky's Rodrigo lacked weight, but rose to an eloquent account of "Per me giunto", which might have been written for his lyrical baritone with its remarkable breath control. Robert Lloyd was a formidable Grand Inquisitor, Sorin Coliban a coarse Monk.

From my seat Olga Borodina was obscured on the other side of the conductor, but her Eboli received an ecstatic reception from the audience. Roberto Scandiuzzi is a promising Italian basso cantante, but as yet without the force of personality for Philip II.

Despite the strength of the cast, the performance took two or three acts to catch fire. Bernard Haitink is too much the Northern European to be a natural conductor of Verdi, where emotions must drive the music headlong, but his careful moulding of the Royal Opera House orchestra's playing and command of the long span delivered a grandeur of its own in the end. Here is to the next century of Proms evenings like this.

The 1996 BBC Proms continue until September 14.

Triumphant return for Weill music

Prom no. 3 offered a wonderful revival, Kurt Weill's 1933 *Der Silbersee*, "The Silver Lake": wonderful not only for the music, but for the triumphant ingenuity of the revival itself. For *Der Silbersee* is a "play with music", plenty of music (16 numbers) – but not an opera; too much spoken text for the Albert Hall, and yet we need to know what's going on to appreciate the music fully.

The solution here was to have the score sung in German, where it sounds best, and to let Jeremy Sams take care of the rest in English. That he did by entrusting the story to three deft actor-narrators, who could drop into impersonating a character from time to time, with a little help from the singing performers too. And he gave them a consistently witty script – not quite arch, but elegantly tongue-in-cheek – that brought out *Silbersee*'s comic vein.

While the performance lasted, we seemed to miss nothing essential to Georg Kaiser's half-ironic, half-idealistic drama. The story is odd and thought-provoking. In a hunger-ridden land, poor, rebellious Severin dares to steal a pineapple from a posh place, but is shot in the behind by policeman Olim. Severin is crippled, and Olim conscience-stricken. Suddenly Olim wins the lottery, and resolves forthwith to devote his life to making luxurious amends to Severin; but eventually Severin discovers who his benefactor really is . . .

Markus Stenz conducted the London Sinfonietta with abrasive, inspiriting verve: I doubt he could be bettered, nor the band either. Heinz Kruse sang Severin with angry ardour. (David Drew's notes remarked the Verdian spirit of his revenge-aria; and many listeners, especially after the previous Prom's *Don Carlos*, will have heard Verdi's Grand Inquisitor in Weill's grave-diggers – Paul Whelan and Gidon Saks – at the start.) Peter Sidhom was a solid, gentle Olim, and Juanita Lascarro a lovely sub-heroine, expressively liquid in her "Lied der Fennimore".

The secondary roles were cast from strength: Helga Dernesch and Heinz Zednik – a Brünnhilde and a Mime! – as the comic-sinister older plotters, and Graham Clark (another famous Mime) doing one of his great manic turns as the lottery agent, and a delicious pair of shop-girls in Teresa Shaw and Katarina Karneus. The London Sinfonietta Chorus sang Weill's disembodied voices, whose commentary is a significant part of the musical fabric, to fine, grave effect. The BBC, or somebody, owes this performance a CD release, with all the same artists and Jeremy Sams's script kept intact.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● August Sander: exhibition devoted to the work of the German photographer August Sander (1876-1964). The display includes documents and more than 200 photographs, including photographs for his life-work Menschen des 20 Jahrhunderts (People of the 20th Century); to Aug 15

■ ATLANTA

OPERA
Symphony Hall Tel: 1-404-892 3600
● International Opera Gala: featuring soprano Dame Gwyneth Jones, mezzo-soprano Agnes Baltsa, tenor Vladimir Popov, the Atlanta Opera and the Atlanta Symphony Orchestra with conductor William Fred Scott. Part of the 1996 Olympic Arts Festival; 8pm; Jul 27

■ BARCELONA

EXHIBITION
Fundació Joan Miró Tel: 34-3-3291908
● European Architecture 1984-1994: exhibition comprising the winning projects for the European Architecture Awards together with a selection of finalists. In addition, the exhibition includes a selection of candidates from the first four editions and, like the Award itself, has been designed to offer a representative sample of the best architecture produced in Europe during the last decade and to reveal some of the creative processes involved. The material on display consists of models, sketches, plans, presentational and working drawings; to Sep 8

■ BEAUNE

CONCERT
Cour des Hospices Tel: 33-80 26 21 30
● Orlando: by Handel. Concert performance by the Gabrieli Consort and Players with conductor Paul Mc Creesh. Soloists include Ruby Philogene, Catrin Win Davies, Julia Gooding, Jonathan Peter Kenny and Neal Davies. Part of the Festival International de Musique Baroque Beaune; 9pm; Jul 27

■ BERLIN

EXHIBITION
Bröhan-Museum Tel: 49-30-3214029
● Wasserwelten. Das Motiv des Wassers in der Kunst des Jugendstils: exhibition devoted to water as a source of inspiration for the artists of the Art Nouveau movement. At the turn of the century, artists made extensive use of waves, sea, fish, nymphs and sea animals as elements of decoration. The display includes paintings, porcelain, and works in metal and glass; to Sep 15

■ BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● The Great Collections IV: Moderna Museet, Stockholm: this exhibition features approximately 200 works of modern art from the collection of the Moderna Museet in Stockholm, beginning with examples of early modern art up to contemporary art; to Jan 12

■ BOSTON

CONCERT
Tanglewood Music Festival Tel: 1-617-2661492
● Kirov Orchestra and Chorus: with conductor Valery Gergiev, soprano Marina Shaguch, tenor Yuri Alexeev and baritone Nikolai Putilin perform Rachmaninov's The Bells, a choral symphony after Edgar Allan Poe, and Tchaikovsky's Symphony No.6 (Pathétique); 8.30pm; Jul 27

■ COPENHAGEN

EXHIBITION
Statens Museum for Kunst - Royal Museum of Fine Arts Tel: 45-33 91 21 26
● Erik Mortensen. Classic Art: exhibition combining the museum's collection of renaissance, baroque and rococo art with 120 haute couture models by the Danish fashion designer Erik Mortensen; to Aug 28

■ DUBLIN

EXHIBITION
National Gallery of Ireland Tel: 353-1-6615133
● Joan Miró (1893-1983): this exhibition brings together 100 of Miró's graphic works from the collection of the Museo Nacional Centro Reina Sofia of Madrid; to Jul 28

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Alexander Melnikov: the pianist performs Beethoven's Sonata No.27 in E minor, Op.90, R. Schumann's Etudes symphoniques, Op.13 and Chopin's 24 Preludes, Op.28; 7.30pm; Jul 23

EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6935254
● Dutch Flower Paintings, 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are from private collections; to Sep 29

■ MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● Der Rosenkavalier: by R. Strauss. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Felicity Lott, Jan-Hendrik Rootering, Susanne Mentzer and Eike Wilm Schulte; 6pm; Jul 25

■ NEW YORK

EXHIBITION
MOMA – Museum of Modern Art, New York Tel: 1-212-708-9400
● Picasso and Portraiture. Representation and Transformation: exhibition surveying the portrait work of Pablo Picasso (1881-1973). Beginning with early studies from the artist's years in Barcelona, the exhibition moves through Picasso's life via intimate portrayals of his family, lovers and friends, including his childhood friend and later secretary Jaime Sabartés, the poet Max Jacob, Picasso's first great love Fernande Olivier, Olga Picasso, the artist's wife in the 1920s, and his last wife, Jacqueline. The display comprises more than 130 paintings, approximately 100 drawings and prints, and one sculpture. Photographs and brief biographical notes on the sitters accompany the portraits; to Sep 17

■ PARIS

EXHIBITION
Musée du Louvre Tel: 33-1 40 20 50 50
● Pisanello (1395-1455). Le Peintre aux Sept Vertus: exhibition devoted to the 15th century Italian court painter and medallist Pisanello. The display features 320 works by the artist, his contemporaries and followers from the collection of the Musée du Louvre and other museums; to Aug 5

■ SYDNEY

CONCERT
Concert Hall Tel: 61-2-250-7111
● Sydney Symphony Orchestra: wih conductor Edo de Waart and pianist Nikolai Demidenko perform works by Mozart, Chopin and R. Schumann; 8pm; Jul 26, 27 (2.30pm)

■ TOKYO

EXHIBITION
Hara Museum of Contemporary Art Tel: 81-3-34450651
● Shiro Kuramata 1934-1991: the first major exhibition devoted to this Japanese designer. Although he died five years ago, his work is still influencing the work of new designers. The exhibition captures Japanese design from the 1960s and onwards; to Sep 23

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● In the Light of Italy: Corot and Early Open-Air Painting: the achievements of the international group of painters who assembled in Rome and southern Italy at the end of the 18th century and the early years of the 19th century are presented through approximately 120 paintings. An important feature of the exhibition is a selection of 20 of the finest Italian sketches and small finished view paintings by Corot in the context of plein-air painting in the early 19th century; to Sep 2

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441**

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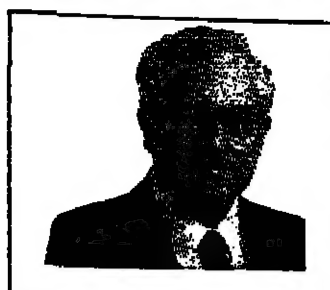


Martin Wolf

The dilemma of inequality

Rising unemployment and the widening gap between rich and poor provide a challenge for those who believe in both democracy and the free market

"Globally and nationally, we shall sooner or later have to choose between the free market and the free society," writes David Marquand, a left-of-centre British academic, in the July issue of the magazine, *Prospect**. The dilemma he raises is – now that communism has collapsed – the greatest of our time.

At first glance, this seems a strange concern. Universal suffrage was a child of the market economy. This was no accident. Democracy shares with the market the value of procedural equality. It rests on the premise that every adult individual has a right to a say in public affairs, even though not all may be able to take an equal advantage of that right. Similarly, the market economy allows each individual to participate as buyer and seller, though people are again unable to take equal advantage of their opportunity.

Suppose, however, that a market economy generates increasing inequality of results? This is no idle supposition. Two-thirds of the increase in US national income during the 1980s accrued to the top 1 per cent, according to Daniel Feenberg and James Poterba (in *Income Inequality and the Incomes of Very High Income Taxpayers, National Bureau of Economic Research Working Paper No. 4229, December 1992*).

The social and political strife initially created by industrialisation was eased by the combination of rising real wages with the emergence of powerful trade unions, stable employment, universal suffrage, welfare states and a commitment to full employment. All these pillars of political stability are crumbling.

The average US wage has fallen over the past two decades, while wage inequality has risen markedly, as the chart shows. According to the *Employment Outlook* published last week by the Organisation for Economic Co-operation and Development, the ratio of the weekly earnings of a man 10 per cent from the top of the earnings distribution to one 10 per cent from the bottom has risen from 3.2 in 1979 to 4.3 in 1995. The equivalent increase in the UK was from 2.4 to 3.3.

The rise in inequality of earnings has not been universal, as the *Employment Outlook* points out. But countries that have contained the change in inequality have done worse in generating employment, although the OECD itself is sceptical about the causality.

Between 1974 and 1992, net employment creation in western Europe's private sector was approximately 3m. In North America, it was *ten times* as large. The proportion of men between 15 and 64 in employment has remained roughly constant in North America, at 82.7 per cent in 1973, 81.6 per cent in 1979 and 81.5 per cent in 1994. In the European Union, however, it has fallen sharply, from 86.5 per cent, to 80.7 per cent in 1979 and 70.1 per cent in 1994.

The proportion of the male population not in employment has more than doubled in Europe, to 30 per cent. And a high proportion of the unemployed has been jobless for over a year. In the big European economies, long-term male unemployment varied between 46 per cent of the unemployed in Germany in 1995 and 62 per cent in Italy. In the US it was 11 per cent.

Many young men now see no future as productive members of society. Either they have little chance of employment or their potential earnings are too low. It is little wonder that so many women are voluntary single parents. Their potential mates are not merely figuratively, but often literally outcasts: 2 per cent of US men are in prison.

These changes have shattered the presumptions of social and economic advance on which the politics of industrial democracies were based. This has not gone unnoticed.

"The global economy is leaving millions of disaffected workers in its train. Inequality, unemployment and endemic poverty have become its handmaidens." So writes Ethan Kapstein, director of studies at the Council on Foreign Relations in New York (*Foreign Affairs*, May/June 1996). In similar vein, Edward Luttwak of the Centre for Strategic and International Studies in Washington protests in the *London Review of Books* (of May 9 1996) against the "humiliation and material impoverishment that unemployment has brought to one of 15 (US, UK) or one out of ten (France, Germany) fellow citizens".

Protectionism is returning, most strongly in countries with relatively long histories of it – the US and France. Messrs Ross Perot and Patrick Buchanan in the former country and Sir James Goldsmith in the latter are busily calling for closed borders against disruptive competition from low-cost suppliers, such as China. As John Lloyd, formerly of the FT, notes in another essay in the July issue of *Prospect*, the protectionist cause also cuts across distinctions between "left" and "right".

How should those who believe in *both* democracy *and* the free market confront the challenge? Some tough-minded people will argue that they need not do so: let the chips fall where they may – and build more prisons – would be their response. This is almost as mistaken as the economic fortress promoted by Sir James.

It would be practically wrong, for two reasons. First, a politician will, sooner or later, persuasively promise the unsuccessful what they lack – prosperity – in return for what they have – the vote. Second, the US may be big enough to allow the rich to escape from the poor. That is far less feasible in more crowded countries.

It would also be morally wrong because shared citizenship imposes obligations. These do not end at the frontier, which is why it would be wicked for the rich to solve their problems at the expense of the poor. But they do not end with the individual either.

To develop a sensible response, one must first eliminate the bogus arguments for protection. Under any plausible assumption, protection would not increase the size of the manufacturing sector. The most it could achieve would be to increase its labour content, while reducing efficiency. In every advanced country, the share of jobs in industry is in decline, as it has long been in agriculture. In the US and UK, more than 70 per cent of jobs are in services and only a quarter in industry. Given manufacturing's modest – and declining – role in generating jobs, protection would contribute little, if anything, to employment.

Unlike manufacturing, services are largely non-traded: in 1994 the gross exports and imports of commercial services from the UK were only 9 per cent and 8 per cent of value added, respectively, the corresponding ratios for manufacturing being 89 per cent and 97 per cent. What will determine the ability of services to generate needed jobs is not trade policy, therefore, but domestic opportunities.

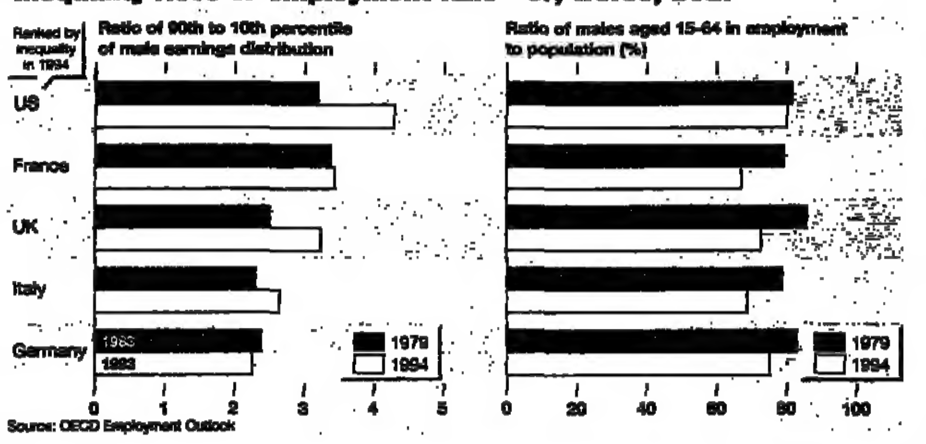
Protection cannot resolve the jobs dilemma of the rich countries. They must seek solutions elsewhere.

One element of the answer is a compromise between the approaches of the Europeans and the Americans. The former should reduce regulation of jobs and economic activity. The latter should raise social spending and investment. Another element lies in things both need to do: greater subsidisation of employment rather than idleness; and far more spending on education.

Not least, big gainers must be prepared to assist the losers – and their children. If they refuse to do so, they will fail to bequeath the peaceful and prosperous democracies they inherited from their parents.

**Prospect, 4 Bedford Square, London WC1B 3RA*

Inequality rises or employment falls - or, worse, both



Source: OECD Employment Outlook

Technology • Andrew Baxter

Timing is everything at the Olympic Games

The latest digital photography and image processing technology is in use in Atlanta

It would be a dull Olympic Games where new records were not established and old ones swept away. At the centennial games in Atlanta, Swatch Timing believes it has set the event off to a sparkling start by setting several new records in its role as official timekeeper.

The Swiss company has installed 300km of cabling – equivalent to the entire width of Switzerland. And it has brought in 100 tonnes of equipment to install 40 timing and scoring systems, 20 starting systems and 180 scoreboards.

"It's dramatically bigger than anything that's been done before in sports events," says Mr Tim Colman, head of the development team at sister company Omega Electronics. Both are part of Switzerland's SMH Group.

But behind the statistical offensive there are some real technology achievements in timing and scoring at the Games, says Mr Colman. "Every Olympic sport will be touched by these new technological advances, along with athletes, officials, spectators and the media."

The timing system at Atlanta brings together for the first time two of the big recent trends in information and related technologies: the use of the personal computer for reliable, cost-effective number-crunching; and advances in digital photography and image processing to record events.

Swatch has developed an integrated system in collaboration with International Business Machines to enable each event to be handled individually but at the same time linked to all the other sports. The Swiss company is responsible for the timing and scoring, as well as real-time display of information for competitors and spectators. IBM handles subsequent processing and retransmitting of the data.

Despite complaints about the delays in getting results from IBM's Info 96 system, the timing and scoring system appears to be working well.Underpinning this new approach are some innovations at the poolside and by the track. At the four aquatics sports – swimming, diving, water polo and synchronised swimming – Swatch is introducing its ARES 21 (Advance Results Entry Station) electronic timer-printer, which represents a marriage of timekeeping and information technology, or "chronomatics".

For the first time, says Swatch, one device will be able to collect and retain all the timing data from the start blocks and the touch pads at each end of the pool. It will be linked through shared software to a PC from which a technician will get an overall picture of the competition in real time.

On the track, the most important innovation is Scan-O-Vision Colour, which uses digital photography to provide real-time colour photo-finishes. Using film would take 30 seconds even for a black and white picture and five minutes for colour, says Mr Colman.

"The technology for true colour photo-finishes did not exist four years ago," he says. "We knew how to do it but were waiting for a component to become available" – a chip that arranges the pixels for a sufficiently precise picture to be produced. The pictures will still have to be assessed by human judges, but colour should make their job easier.

> 'Every Olympic sport will be touched by these new technological advances, along with athletes, officials, spectators and the media'

Cycling, in contrast, will become the first non-aquatic Olympic sport to be timed entirely automatically. The velodrome's race timer will be linked to a robotic starting block which will prevent ruses such as lifting the front wheel so that only the back wheel trips the starting mechanism.

A further novel use of technology is being introduced in the Soling yachting category. Using a network of radio beacons on land and sea transmitting to synchronised transponders on each boat, a virtual representation of the position of every boat in time and space can be created on-screen and broadcast.

In basketball, a high-speed video camera will be used to record the time taken for the shooter to leave the floor and touch down again. This kind of video imaging and analysis could have applications in laboratories, Colman suggests, whenever there is a need to time an event happening in three dimensions.

Innovations such as that will produce a heavier flow of data than ever before at a sporting event, but Mr Colman does not believe this will lead to information overload. Viewers at home will receive a filtered version, but among coaches and competitors there is an "enormous thirst" for performance data, he says. Some of this, such as start reaction times in swimming and stroke rates for each boat in rowing, will be available for the first time.

And will it all work? Swatch is confident both in the individual technologies, which have been tested at recent events, and the integration of hardware, software and humans. The reliability of PCs is phenomenal, says Mr Colman, and no longer an issue. All primary timing systems are duplicated, and Swatch can call on a depth of knowledge that comes from SMH companies' experience of 25 Olympic Games. Only time will tell . . .

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Need for seat on the board

From Mr Eric C. Elstob.

Sir, It is possible that Philip Stephens, in his article on Emu ("Conspiracy of silence", July 12), has also dodged the real question. This is not whether the euro will be used in the UK, but whether there will be a British director on the board of the European Central Bank.

All the evidence is that, when a weak currency exists next to a large strong one, progressively more transactions in the weak currency country are done in the strong currency. In Lima for example the prices of houses in the estate agents windows are quoted in US dollars; and in the Bolivian newspapers advertisements for big ticket items like cars are in dollars. The local currency is for postage stamps and drinks. The German Mark is an alternative transaction currency throughout eastern Europe as is the dollar in Russia. It would be most unusual if the euro did not become widely used in the UK. Indeed a Conservative-Nationalist government, that is serious about retaining the use of sterling, would ultimately have to reimpose exchange control to enforce it.

If the UK joins Emu at the start there will be a British member of the board. Otherwise, we shall all eventually be using euros with no vote on monetary policy.

Eric C. Elstob,
14 Fournier Street,
London E1 6QE

Dollar decides

From Mr Gregory Garramone.

Sir, Curious the US should use constructive engagement to bring China, Burma and Nigeria in line on the issue of human rights while attempting to force the world into sanctions with regard to Cuba, Libya and Iran.

A cynic would suggest dollars are involved.

Gregory Garramone,
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Minnesota 55105, US

More to win by offering special concessions to poor nations

From Mr Pradeep Mehta.

Sir, I refer to your report "US cool on WTO chief's plan for trade help to poor nations" (July 9). We are concerned that the US finds the proposal of the director general of the World Trade Organisation for special concessions to the 48 least developed countries to be (nearly) unacceptable. As it is, these countries are becoming marginalised in this process of globalisation and liberalisation. Their debt alone is a millstone around their necks, and whatever little that they export is consumed in debt servicing.

One of the reasons advanced by the US is that it is not satisfied that advanced developing countries would be ready to contribute to such a scheme, or that it would genuinely help the poorest countries. I cannot speak about others, but there is already a proposal under the South Asia Preferential Trade Arrangement (Sapta) to extend zero tariff levels by India to the LDCs of the region, ie Nepal, Bangladesh and Bhutan. The other members of the arrangement – Pakistan and Sri Lanka – are also ready to extend the same privileges to them.

The proposal may not yet have come to anything but our organisation – working with other leading consumer, environment and development NGOs of the South Asia region under the name and style of the South Asia Watch on Trade, Economics and Environment – is pressing India to declare these concessions unilaterally. As consumers of the region, both we, and the environment, have more to gain than lose.

If only there could be a reversal of tariff escalation, it would attract investment and create new jobs.

Pradeep S. Mehta,
general secretary,
Consumer Unity & Trust Society (CUTS),
3-B, Camac Street,
Calcutta 700 016,
India

Good reasons to give Russia helping hand

From Mr Friedrich R. Blase.

Sir, Richard Layard's Personal View (July 15) is a very thoughtful analysis of the western attitude towards Russia. Undoubtedly, one can agree with the factors held responsible for the west's failure to open up for the Commonwealth of Independent States countries. However, I feel Mr Layard has omitted a very important point: the historical development of the eastern Slavonic core regions, which now make up the Russian state.

Poland, The Czech Republic, Slovakia, Hungary, Slovenia and Croatia have continuously played a part in the western European progress since the 10th century. Furthermore, Poland, Bohemia and Hungary were great powers in the Middle Ages and were thus considered to be fundamental pillars of European culture. Whatever the political changes in the following years, their radical break from democracy and rule of law did not occur until the second world war.

How different was the Russian course. Its basis was formed by a Byzantine culture partly influenced from Bulgaria. In circa 1237 the Mongolian rule over the Russian people commenced and lasted for 200 years. The subsequent rise of Moscow, which led to the Russian empire in the 17th century, was conducted under the influence of Byzantine autocracy and self-determined isolation from the west. Since then the Russian development has been dominated by a mixture of reform and reaction and by the conflict between the "westerners" and the "slavophile".

A real chance was offered in 1917 for it to turn to a modern constitutional state. However, the intensification from an authoritarian to a totalitarian dictatorship in the 70 years of Soviet history has allowed for a widening of the gap to the western free democratic approach.

Such a different historical bearing should merely strengthen the western institutional effort to lend the Russians a helping hand. Europeans did so for Germany in 1945, as Mr Layard points out: this is what Europeans must now do for Russia.

Friedrich R. Blase,
Kapuzinerstrasse 11,
481-49 Munster, Germany

Key factor in 'balance sheet' on Zionism

From Mr Sol W. Sanders.

Sir, Mr David Pryce Jones, in his review of Mr Geoffrey Wheatcroft's book on Zionism ("Zionism: profit and loss", July 13) neglects to mention Britain's role in closing immigration to Palestine in the 1930s and the plot of the Colonial Office to subvert the commitment to a National Home (Valfour Declaration, The White paper, Macdonald's letters, etc. *ad infinitum*).

How much would the Holocaust have been mitigated had it been possible for tens of thousands of Jews to be able to reach Palestine? Surely that has some role in any "balance sheet" on Zionism, as does a mention of Jabotinsky and his line on these problems, along with Weizmann, Ben Gurion, etc.

Mr Wheatcroft's omission or Mr Pryce Jones's?

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday July 23 1996

India's fiscal delusion

Given his reputation as a reformer, Mr P. Chidambaram, India's finance minister, might have been expected to produce a bold first budget. Instead yesterday's effort, which targets a deficit of 5 per cent of gross domestic product, suggests he has been nobbled by populist members of the new coalition government.

That bodes ill for the future. A government's first budget is always the best opportunity to take tough measures. Having fluffed this chance, there is little likelihood of next year's exercise being any more radical – if the government lasts that long. But India cannot go on ducking the fiscal challenge indefinitely.

Yesterday's budget would have been an opportunity to set down markers on two fronts. First, Mr Chidambaram could have shown a willingness to prosecute reform with a definitive plan to liberalise the insurance market, specific privatisation proposals and measures to liberalise the consumer goods market. None of that was forthcoming.

Second, and more important, he could have displayed a determination to tackle India's chronic fiscal deficit with a tough clampdown on spending. But the budget promises a further increase in food and other subsidies to the poor, as well as measures to boost agriculture which are supposedly to be financed out of higher revenues. The centrepiece of the revenue proposals is a minimum tax on corporate revenues.

In so far as this is intended to bring large companies back into the taxpaying fold, it is a laudable idea. The snag is that it may prove a hard tax to collect, while the Rs50bn (£909m) pencilled in for privatisation receipts looks optimistic. The deficit target thus already appears likely to be blown, in a repeat of last year's disappointment.

Excessive government borrowing was the biggest single weakness in the record of Mr Manmohan Singh, Mr Chidambaram's respected predecessor. Local institutions – including the Reserve Bank and last week the Finance Ministry itself – have warned about a debt trap in which rising interest payments take an increasing and unsustainable share of government spending. Interest payments now absorb 47 per cent of government revenues compared with 39 per cent five years ago.

Sooner or later this problem will come home to roost. A 5 per cent budget deficit might just be justifiable in the context of a credible plan to reduce the shortfall to 4 per cent or preferably even less in the medium term. But since the markets are now cynical about India's ability to meet its fiscal targets in the short run, medium-term promises are scarcely worth listening to.

The impact of this loss of credibility is already being felt. Real interest rates in India are too high for comfort. Industrial companies are paying more than 12 per cent above inflation for bank credit. Worse still, Mr Chidambaram's apparent insouciance about ad hoc borrowings from the Reserve Bank suggests a willingness to consider inflating his way out of any slowdown in economic growth.

That would be inviting trouble. Having worked their way out of one crisis in 1991, India's financial technocrats may think they can overcome any problem. But that is grotesque self-delusion. Without more fiscal responsibility India's medium-term growth prospects are under threat.

'Saving' art

Save "our" art is the new war cry. Armed with ill-gotten loot, dastardly foreigners are trying to rape "our" heritage. "our" French-made caskets and "our" Italian-made sculptures and paintings. Thank heavens for the saviour of Britain in this new battle of Britain, the Heritage Lottery fund.

What better use for the money bet by the millions of the hopeful and desperate can be imagined? They may never have heard of the Becket casket, but surely the meanest will agree that it is indeed an essential part of Britain's national heritage. Who cares that it was made in Limoges? Thomas à Becket was a great English saint and the casket was in the UK until it went to France in 1930.

If the Becket casket had not been "saved", who knows where it might have ended up? Probably in the Getty museum, to be gazed at by Californian barbarians. Now that would be a fate worse than death for any self-respecting work of art.

True, the UK has been a great beneficiary of the trade in such objects, having imported items of much greater worth and beauty than it could export. True, the British can travel abroad to see these plundered beauties, even as far as California. True, the objects are not being "saved", since they run no danger of being lost or destroyed. True, the British have more than their fair share of the world's treasures, not least when set against the modesty of their own artistic contribution.

No matter. What the British have they must hold – or try to. And what they had once, they must try to recover.

These are admirable principles, though not for lesser breeds to imitate. Who knows where that might lead? Some of them might suggest – indeed some of them have, amazingly, already done so – that the UK is in possession of the odd bit of their heritage. The Rosetta stone, the Elgin marbles, the Leonardos, the Rembrandts and all those other treasures made elsewhere and imported by the British in their hour of pomp and prosperity come easily to mind.

Never in the struggle over the world's treasures can so few have owed so much to the folly of so many. The heritage is being saved, even bits of it known only to connoisseurs. At least Becket was a true saint and Englishman. Far better his casket than Canova's three popsies. Now there's a sculpture made for California.

Sweatshops

Leading retailers in the US and Europe have recently bowed to growing public pressure to stop selling imported clothing allegedly made in sweatshops, particularly ones which employ child labour. Such campaigns appear to reflect genuine consumer concern and, in the US, enjoy influential political backing. However, they are missing the real target – and may even aggravate the problem they aim to relieve.

Few, if any, developing countries choose deliberately to keep wages and labour standards low. These conditions exist mainly because the countries are poor. Western nations have long contrived to keep them that way by imposing high tariffs and tight quotas on their clothing and textiles exports, which are among the few manufactured products in which developing countries are well-placed to compete.

The Uruguay Round world trade agreement requires quota protection in the industry to be phased out by early next century. However, developing countries complain, rightly, that western governments have exploited loopholes in the accord to delay opening their markets until the last possible moment. Such procrastination is not just mean-spirited. It risks stoking up strong domestic resistance when the time eventually comes to liberalise. Furthermore, even if the US and EU meet that challenge, they will still have textiles and clothing tariffs more than three times the average on all their industrial imports.

Some measures favoured by anti-sweatshop campaigners risk – often unwittingly – abetting protectionism. Mandatory labelling of country of origin, for instance, can too easily hand governments a pretext for discriminating against cheap imports by manipulating customs rules of origin – as developing country textiles exporters accuse the US of now doing. Western proposals for a "social clause" in trade agreements arouse similar, and still bigger, suspicions.

Sweatshops are objectionable. But so too is insistence by the west on imposing its values on developing countries, while denying them the access to world markets they need to raise living and working standards. If campaigners really want to improve the lot of poor workers, they should turn their fire on the western producers who lobby for trade protection, and the politicians who grant it.

For inspiration, they should look to Japan. Not only is Japan acting much more aggressively than other industrialised countries to lower clothing and textiles tariffs; it has firmly and consistently rejected industry demands for quotas. Since 1990, its imports have doubled in dollar terms. Instead of bleating continually that Japan keeps its market closed, the US and EU would do better, in this instance, to treat it as a model for how to open their own.

Russia comes in from the cold

Commerce rather than strategic considerations increasingly governs relationships in the former Soviet bloc, writes Anthony Robinson

For much of its long and troubled history Russia has felt surrounded by actual or potential enemies – and been seen by its neighbours as a brooding, dangerous beast.

Five years after the Soviet Union's dissolution, both perceptions are changing fast. Confirmation of Mr Boris Yeltsin as president has given Russia the opportunity to concentrate its energies on economic and social reforms at home.

For Russia's neighbours the most important result of the presidential elections was the defeat of those who wanted to reconstruct the Soviet Union. Their greatest hope is that faster economic reform will strengthen Russia's democratic institutions and revive Russia as a trading partner.

Relief at Mr Yeltsin's victory was perhaps strongest in Poland, the most populous central European state and the one with the longest historical links to Russia. Poland has made a strong economic recovery in the six years since the fall of the Berlin Wall, symbolised by its entry last week to the Organisation for Economic Co-operation and Development, the club of advanced industrial countries.

"The Russian election results were greeted not with a sigh but with a tempest of relief and not only in Poland but throughout central Europe," Mr Andrzej Wroblewski of Polityka, the influential Warsaw weekly, told a recent conference on eastern and central Europe staged by the World Economic Forum at Salzburg, Austria.

"Instead of Russian tanks we can now hope for more Russian oil, gas and steel. We need Russia's energy. But above all we need a democratic Russia, because that means a country which will no longer deny its people a decent standard of living. It means a Russia we can trade and do business with."

Such a Russia is already partly in existence. Rising incomes have seen a sharp recovery in the country's imports of food, textiles, pharmaceutical and other exports from central Europe over the past year. The markets of central Europe are now full of Russian traders.

Last year, for the first time since before the 1917 communist revolution, Polish private companies invested $60m in Russia. Border trade alone between Poland and Russia amounts to $3bn a year and is rising fast.

Multinational corporations such as Coca-Cola and Asea Brown Boveri are using staff from their newly turned-around central European subsidiaries to train Russians and Ukrainians in their even newer acquisitions further east. Polish shipyards and Czech factories are taking on Russian and Ukrainian workers to do the tasks which Poles and Czechs no longer want to do. At this micro-level the integration of Russia into the wider European economy is proceeding apace.

With the exception of Chechnya, Russia is no longer holding down entire nations against their will. And since the departure of the huge Soviet army garrisons which used to keep watch over resentful central Europeans, Balts and Germans, relations are improving with Russia's neighbours. Hatred, fear and contempt for all things Soviet has been replaced by a new sympathy for Russians as fellow-sufferers in the painful transition from central planning to a market economy.

But Russia straddles two continents and much has also changed on its Asian borders. In the area of former Soviet central Asia Russia finds itself bordering increasingly dynamic economies that offer new economic hope beyond the Urals.

Recent privatisation of the large Soviet-era mines, steelworks and non-ferrous metal refineries in Kazakhstan has brought new Indian, Israeli, Korean and Russian owners. They insist on cash payment at world prices for their products instead of relying on hopelessly uneconomic barter deals with Russia.

At the same time they are now paying cash for the goods and services they buy from Russia, dramatically changing the industrial prospects for neighbouring southern Siberia. This is bringing new hope to the grim industrial and mining cities where striking miners have been unpaid for months and cash-starved enterprises have had no investment for years.

One example of the speed and scale of the turnround can be seen at the Karaganda metal complex (Karmet) bought by Ispat, a London-based Indian steel company, in November. Its steel output has risen from 100,000 tonnes a month – 90 per cent of it sold on a barter basis – to 250,000 tonnes a month in May. All of its steel is now sold for cash to world metals traders, putting $56m a month into circulation in the country.

The clearest signal that Russia is taking an increasingly commercial rather than military-strategic view of relations with its neighbours came three months ago – before the presidential elections. On April 27 Moscow gave its approval to the construction of a 750km oil export pipeline from Tengiz in Kazakhstan on the Caspian Sea through southern Russia to the Black Sea port of Novorossiysk. The pipeline is expected to open up the Caspian region as an important energy source for Europe and Asia in the 21st century.

Moscow accepted Kazakh sovereignty over oil and gas first discovered by Soviet geologists in return for a 44 per cent equity stake in the pipeline consortium for the Russian state and Russian oil companies. Western oil companies, including Mobil, Chevron, BP and Agip, will provide most of the $1.5bn investment but accepted that they had to give a substantial equity stake to Russia to transport the oil to western markets.

Meanwhile Gazprom, Russia's biggest and richest company, is also pushing ahead with its own ambitious investment programme in the west. At its heart lies two multi-billion dollar projects, a 6,000km gas pipeline from the Yamal peninsula in the Arctic through Poland to Germany, and a 29bn cu metre capacity southern gas pipeline through Bulgaria to Turkey and the Balkans.

Through projects such as these Russia will play an increasingly important role as supplier of energy to western Europe and the world market in the 21st century – even though many of the natural resources lie in countries where Moscow is no longer in control. In this way too, Russia is becoming like a "normal" country which buys and sells what it needs – without demanding special treatment by force of arms or political control.

The new few months should show whether the new government to be appointed by Mr Yeltsin on August 9 will open Russia to foreign investment or whether the idea that Russia is "different" and runs by different rules still lingers. The focus of Russia's own economic reformers is on building the institutional framework of a modern state and creating a solid basis for economic recovery.

In Salzburg, Mr Sergei Dubinin, Russia's tough central bank governor, said that raising tax revenues and banking and other institutional reforms would be priorities: "The function of government is to generalise the interests of society. Our aim is to create a strong and reliable Russian state able to protect all members of society. This is impossible without the efficient collection of taxes. That is why tax reform will be the first priority of our government."

"The new government will concentrate on 'the economy stupid', just like Bill Clinton four years ago," added Mr Alexei Pushkov, the Russian political commentator. "The only thing that could side-track it from concentrating resources on rebuilding the economy would be if Nato expansion allowed the military to make demands for higher defence expenditure."

It was a point underlined by Mr Dimitri Ryurikov, President Yeltsin's foreign affairs adviser. "The convincing victory of Boris Yeltsin makes the enlargement of Nato an even more contentious issue than ever," he said.

Now that Russia's democratic future is assured and the security of Europe is stronger than ever, what was the point in moving sophisticated military infrastructure ever closer to Russia's borders, he asked. It is a question likely to be posed with increasing insistence in coming months. Whether a democratically inclined Russia can be fully integrated into the world economy may depend on the answer.

· O B S E R V E R ·

The flame goes out

Don't mention the word Olympics in Montreal. Two decades have gone by since the city hosted the 1976 games, but the hangover remains as heavy as ever. So heavy in fact that ailing former mayor Jean Drapeau, now 80, felt it necessary last week to defend his record yet again.

It was Drapeau who dropped the memorable clanger that the chances of the Olympics running a deficit were as high as a man having a baby. Until recently, Montrealers were paying a special municipal tax to cover the city's contribution to the games. That has now been paid off, but a special tobacco tax will be levied for at least another nine years to work off C$428m in debt still owed by the Olympic Installations Board.

The Olympic complex in east-end Montreal remains as much an embarrassment now as in 1976. The stadium's roof has torn 17 times, and large blocks of concrete occasionally fall off the side. Its Parisian architect, Roger Taillibert, was also on hand last week to defend himself. "I'm sorry, I'm not the man who did the construction," he told one reporter.

Montreal has put as much distance as possible between itself and the Olympics. The stadium's athletic track has made way for a baseball field. The 1976 cycling venue has been turned into a natural-science centre.

The Olympic board claims that the stadium is now one of the busiest in North America – but it has yet to turn a profit.

The real thing

■ However, in another quarter, the Olympic spirit is working magic, it seems. For an indication of how much cosier ties are between the US and its former enemy Vietnam, look no further than Atlanta.

Somewhere in the Olympic city, headquarters of the Coca-Cola company, there is a giant Coke bottle made of rattan and topped with a conical Vietnamese hat. This is the Communist-run country's entry for the international design contest to find an Olympic symbol, the Vietnam News tells us.

Only two years ago, Coca-Cola celebrated the lifting of the US trade embargo on Vietnam by planting two huge inflatable Coke bottles on the steps of Hanoi's turn-of-the-century Opera House. But the city's cultural commissars ordered them removed, saying they offended Vietnamese sensibilities.

How times have changed.

Beachcombing

■ British politicians break up tomorrow for their usual three-month summer break. But the populace needn't think it can escape politics that easily. Yesterday John Prescott, Labour's deputy leader, announced innovative plans to "fight the Tories on the beaches" during the summer. He has despatched what he calls "a high level task force" to the south-west of England to collar holidaymakers as they sun themselves on the sand. "We will go on to the beaches to spread the word that Labour's positive policies will make a real difference to the lives of ordinary people," he said. Can't wait.

Panty line drawn

■ Not content with the controversial summertime ban on begging which is being practised in a number of French towns, the snobbish nouveau riche seaside resort of Deauville is going one step further in the battle to "clean" its streets.

At a time when Perrier has run into trouble in Belgium for its portrayal of naked women in a new advertising campaign, prudery is creeping into France too. Deauville's town council is preparing a ban on people wearing swimming suits or parading topless around the municipality.

Some standards are being maintained, however. Union militants at the Lejaby-Rasurel lingerie company recently arranged for an alfresco parade of models in slinky underwear to protest the threat to their jobs.

Flying higher?

■ With the safety of air travel at the front of everyone's mind, passengers will no doubt be reassured by the latest announcement from the Civil Aviation Administration of China.

Yesterday it reported that its services had managed 24 consecutive months without a crash, or 1.8m flight hours of safe operations, the longest safe flight period since 1982.

The International Airline Passengers Association cited China in 1994 as one of the most dangerous places in the world to fly, after 76 people died in five crashes, and 10 planes were hijacked to Taiwan in 1993.

Fun of the fair

■ A Dutch fairground ride by the name of Move-It stopped moving anything at all at the weekend, hence leaving its 30 passengers stranded upside down, four metres above ground.

There they hung, indecorously but safely (on account of harnesses) until staff managed to right the seats by hand.

Never mind, they were offered compensation – a free ticket when the ride was properly mended.

The Financial Times

100 years ago

Mashonaland (Central) Gold
Mr R. Maguire, chairman, said at the annual meeting of the company in London:- "I think the question which is of interest to you here to-day is, what is the loss which the rebellion in Rhodesia is likely to cause the shareholders, and I am happy to state that, though loss there will be, that loss will be principally that of delay. Under the circumstances that obtained up to the time of the native revolt, the expense and uncertainty and delay of transport was the great difficulty in the way of the proper development of Rhodesia. This rising, if it has done nothing else, has drawn attention to the absolute necessity for increasing the facilities for communication. I may tell you that the Beira railway is not only being carried to the seacoast, but a further section from Chimolo is under construction."

50 years ago

France's Public Debt
Owing to the Budget deficit, France's public debt is steadily increasing. During the first quarter of 1946 it rose by Frs.111.5 milliards to Frs.1,942 milliards. This compares with Frs.1,523 milliards on the eve of liberation and Frs.436 milliards at the outbreak of war. Thus the public debt has increased by 345 per cent since 1939.

FINANCIAL TIMES
Tuesday July 23 1996

Unemployment likely to remain at high levels

German economy rallies as investment picks up

By Judy Dempsey in Bonn

The German economy is showing signs of recovery, and growth in the second quarter will more than make up for the sharp decline in the first, according to the economics ministry's monthly report.

The report, which analysts said reflected cautious government optimism for the first time in many months, provides no detailed figures but indicates that exports and investment rose over the three months. However, there is unlikely to be early recovery in the high level of unemployment and weak consumer spending.

Exceptionally bad weather depressed output in the first quarter, with the construction industry bearing the brunt. Gross domestic product fell by a seasonally adjusted 0.5 per cent in the period against the previous quarter.

Figures for April-June will not be available until later this year, but the ministry says GDP in the three months "more than compensated for the weather-affected fall at the beginning of the year". The government estimates GDP growth for the year of 0.75 per cent, against 1.9 per cent in 1995.

Some analysts think the government too cautious. "If growth can be sustained, the economy could grow by 1 per cent this year," said Mr Holger Fahrinkrug, chief economist at the Frankfurt branch of UBS. "Much depends on the strength of the D-Mark against the US dollar."

The ministry's report highlighted manufacturing as a sector where the climate was improving and investment plans were picking up, a view confirmed by a biannual survey this month from the Ifo economics institute. The ministry recorded a 7 per cent rise in investment in plant and machinery by west Germany's manufacturing sector over the past six months and forecast a further 6 per cent rise for the rest of the year.

However, as Ifo pointed out last week, industry's growth expectations, which improved sharply in May, have again slipped back. "This was a disappointment. It shows industry has doubts about the longevity of the current upswing," said Mr Fahrinkrug.

Yesterday, an Ifo report on the retailing sector confirmed there was no sign of consumer spending recovering. It predicted sales would grow only 1 per cent in nominal terms this year, stagnating in real terms, and that investments would fall by 8 per cent compared with last year. The sector would be seeking job cuts to rationalise and reduce costs.

The economics ministry believes that a slow economic recovery will not have an immediate impact on the unemployment rate, now 9.9 per cent. "The labour market continuously reacts with a delay to a recovery of overall economic activity," it said, adding that the short-term foreseeable tempo of economic recovery was still too little to stimulate demand.

'Freeways' network planned for European rail freight

By Neil Buckley in Brussels

A network of rail freight "freeways" spanning the European Union to get trains out of sidings and freight back on the railways will be proposed next week by Mr Neil Kinnock, European transport commissioner.

The plan is the centrepiece of a white paper aimed at liberalising the rail freight market and reversing its long-term decline by increasing the average speed of EU rail freight, which is a sluggish 15km an hour.

As lorries have grown larger and road networks have expanded, the proportion of freight carried by rail has fallen from 32 per cent to 16 per cent in two decades, Mr Kinnock said, compared with a stable 45 per cent in the US.

"For too long, freight has had the lowest priority on tracks," he said.

Mr Kinnock told journalists yesterday he wanted to see rail freight freeways or corridors linking Europe's main transport centres, with open access to any carriers under a licensing system.

His white paper will suggest six routes. Unlike the European Commission's proposed Trans-European Networks programme, which involves heavy investment in new transport infrastructure, all but one of the suggested freight freeways could be created entirely using existing track.

Details were not given, but two of the suggested routes would run east-west and four north-south.

One would link Britain's west coast main line from Glasgow, Manchester and Birmingham through the Channel tunnel with Amsterdam and Cologne, and through France to the south.

Creating them would require co-operation between member states and rail companies in ensuring compatibility of tracks and equipment and cutting paperwork.

It would also need agreement to grant open access to tracks, in many cases breaking national monopolies.

Officials believe an average speed of at least 60km an hour could quickly be established on freight freeways, making them a viable alternative to road.

Mr Kinnock said the idea was inspired by the US rail freight market and the success of projects such as a freight link between Rotterdam and Milan.

He hoped to reach agreement on liberalising rail freight through negotiation with member states' ministers.

If agreement could not be reached, he hinted that a possible model could be telecoms liberalisation, where the Commission used special powers under Article 90 of the Treaty of Rome to act without consent of the Council of Ministers to break national monopolies.

The white paper will also call on member states' rail companies to "get their finances in order", including extensive restructuring which Mr Kinnock acknowledged might have to be supported by state aid.

It also calls for the development of greater compatibility between EU railways and other forms of transport.

Mr Kinnock warned that restructuring was likely to lead to job losses, but without such action he said job losses would be "even more massive".

"We have to contrast the effects of rationalising rail systems with losing railways altogether," Mr Kinnock said.

Software glitches halt flow of Olympic results

Continued from Page 1

appeared on court on Saturday with the wrong numbers on their backs: occurrences like this caused problems with the gathering and transmission of data.

IBM said that it had been able to test its system for collecting results at each venue before the games, and that these were working well.

However, until the Olympics started it had not been able to test how well the many different elements of its system fitted together, a spokesman said.

The problems appear to stem, in part, from the sheer scale of the sporting events on display in Atlanta.

Perrier to pull plug on adverts after row over nudes

By Andrew Jack in Paris and Neil Buckley in Brussels

Perrier, the French bottled water group, yesterday said it would end a billboard advertising campaign in Belgium after threats of a consumer boycott in protest at the company's use of images of naked women.

The campaign, which was launched at the start of July with the help of the Belgian subsidiary of Publicis, the French advertising agency, provoked indignant protests from women's groups.

The advertisement, featuring a 1950s-style drawing of three women with Perrier caps covering their nipples, are on display in poster sites across Belgium. The company said yesterday that it had cancelled the campaign, which was due to run until the end of this month.

Perrier's decision came after protests from the European Women's Lobby, a coalition of more than 2,500 women's groups based in Brussels, which threatened to call for a boycott of the bottled water company by its 1m members from next Monday.

The use of skimpily clad women in adverts is widespread in France, and Publicis said a similar Perrier campaign there three years ago had triggered no complaints. It said the Belgian billboards were part of a lighthearted "summer" campaign.

However, it said Perrier, which is owned by the Swiss group Nestlé, decided to cancel the campaign because it did not want to cause offence to its customers.

The European Women's Lobby wrote to Perrier last week demanding that the company withdraw the campaign, but said yesterday it had received no reply. The advertisements were set to be discussed by the women's rights committee of the European Parliament today.

"We could do many campaigns against many ads [which involve nudity]," Ms Barbara Helfferich, the group's general secretary, said. "But this is particularly insulting because the product doesn't have anything to do with women's bodies. It is also a clear throwback to the 1950s, when women were seen much more as sex objects."

She also said Publicis had reported a healthy demand for the posters. "If they want to sell posters they should go into the poster business," Ms Helfferich said.

The group had planned to contact women's magazines to launch campaigns to persuade women to stop buying Perrier products. It had also decided to encourage members to write to supermarkets asking them to cease stocking Perrier, and to hand out leaflets outside supermarkets condemning the advertisements.

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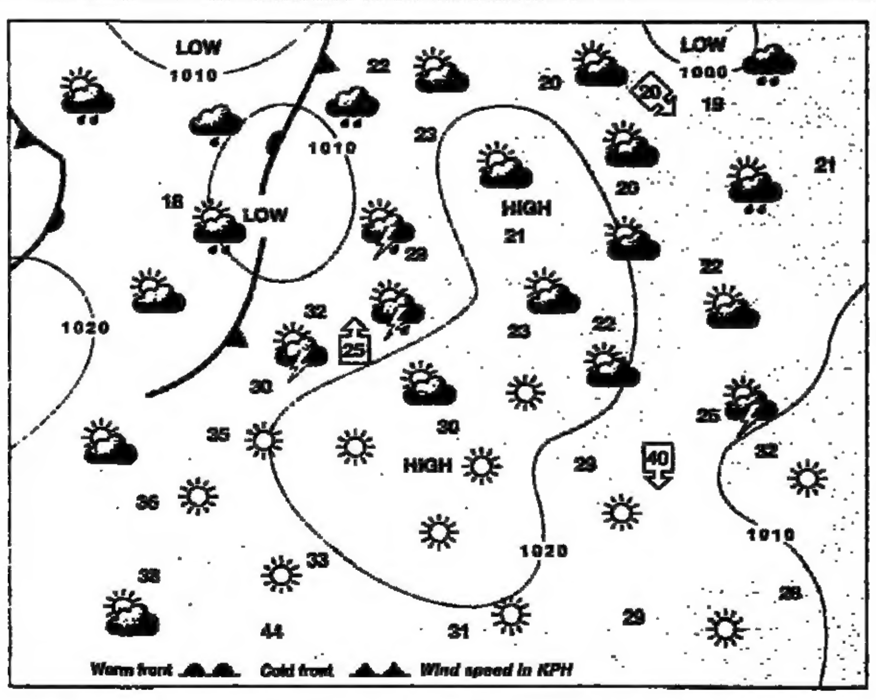
FT WEATHER GUIDE

Europe today

Cloud will increase in the north-west of the continent and thunder showers will develop in the Benelux, western Germany and eastern France. Temperatures will continue to exceed 25C in most places. England will remain warm with a risk of thunder showers. Ireland and Scotland will be cool with maximum temperatures below 20C. Western France and the Iberian peninsula will remain dry with plenty of sun, especially in Spain. Italy, the Balkan states, Greece and Turkey will also be sunny and warm. The countries near the eastern Alps, eastern Europe and around the Black Sea will have cloud and sunshine. It will be cooler with afternoon temperatures around 23C.

Five-day forecast

Thunder showers in the Benelux and eastern France will move further into the continent, crossing the Alps around Wednesday. The showers will reach central and eastern Europe later in the week. In the wake of this zone, North Sea countries will be cool. Cloud and showers will develop with afternoon temperatures falling considerably. The Iberian peninsula, Balkan states and south-eastern Europe will remain dry, sunny and rather warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius																	
			Beijing	fair	33	Caracas	cloudy	31	Faro	fair	29	Madrid	sun	37	Rangoon	fair	30
			Belfast	shower	18	Cardiff	fair	23	Frankfurt	thund	31	Majorca	sun	32	Reykjavik	fair	13
Abu Dhabi	sun	42	Belgrade	fair	25	Casablanca	fair	27	Geneva	fair	31	Malta	sun	30	Rio	shower	24
Accra	fair	26	Berlin	fair	27	Chicago	fair	25	Gibraltar	sun	28	Manchester	shower	24	Rome	sun	30
Algiers	sun	33	Bermuda	cloudy	31	Cologne	thund	30	Glasgow	rain	18	Manila	cloudy	34	S. Frsco	fair	23
Amsterdam	shower	26	Bogota	cloudy	17	Dakar	fair	30	Hamburg	thund	27	Melbourne	shower	15	Seoul	cloudy	31
Athens	sun	30	Bombay	shower	30	Dallas	fair	37	Helsinki	fair	21	Mexico City	fair	27	Singapore	shower	32
Atlanta	fair	34	Brussels	fair	27	Delhi	fair	28	Hong Kong	thund	32	Miami	fair	33	Stockholm	fair	25
B. Aires	sun	14	Budapest	fair	23	Dubai	sun	43	Honolulu	fair	32	Milan	fair	29	Strasbourg	fair	32
B.ham	shower	25	C.hagen	fair	24	Dublin	fair	18	Istanbul	thund	25	Montreal	fair	26	Sydney	sun	18
Bangkok	thund	34	Cairo	sun	33	Dubrovnik	sun	27	Jakarta	fair	32	Moscow	shower	19	Tangier	fair	31
Barcelona	sun	23	Cape Town	shower	16	Edinburgh	rain	18	Jersey	fair	23	Munich	fair	29	Tel Aviv	fair	31
									Karachi	fair	34	Nairobi	fair	22	Tokyo	shower	27
									Kuwait	sun	47	Naples	sun	30	Toronto	fair	26
									L. Angeles	sun	24	Nassau	shower	33	Vancouver	fair	24
									Las Palmas	fair	27	New York	thund	29	Venice	fair	27
									Lima	cloudy	21	Nice	sun	29	Vienna	fair	24
									Lisbon	fair	29	Nicosia	fair	34	Warsaw	fair	20
									London	shower	27	Oslo	fair	24	Washington	fair	28
									Lux.bourg	thund	29	Paris	fair	30	Wellington	fair	12
									Lyon	fair	32	Perth	rain	18	Winnipeg	shower	23
									Madeira	fair	24	Prague	fair	25	Zurich	fair	30

THE LEX COLUMN

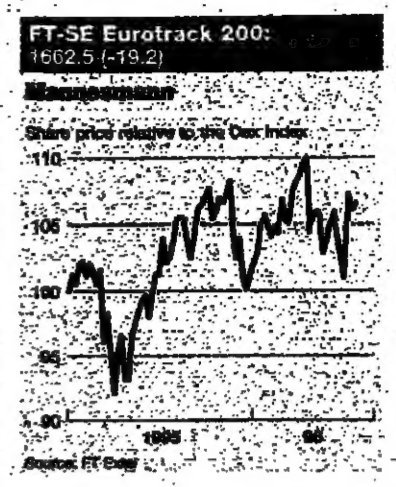
Mannesmann's muffled call

Mannesmann's acquisition of a 49.8 per cent stake in DBKom, the telecoms subsidiary of Deutsche Bahn, raises as many questions as it answers.

Strategically, this looks an excellent move for the sluggish engineering conglomerate, which is determined to transform itself into a highly-rated telecoms group. Mannesmann already has a strong position in mobile phones through its rapidly growing D2 network. DBKom, which it snatched away from rival Thyssen in a last-minute deal, brings a fixed-line network, running alongside Germany's railways. Since D2 is turning strongly cash-positive it could help to finance the DM4bn or so needed to upgrade DBKom's antiquated analogue lines. That puts Mannesmann and its partners – AT&T of the US and the Unisource consortium – in pole position to challenge Deutsche Telekom when the market is liberalised in 1998.

But Mannesmann has yet to reveal how much it paid for DBKom, with estimates ranging from DM1bn to DM2bn. It is also unclear how many of DBKom's 6,500-strong workforce it has agreed to take on. Most of these employees have civil service status and thus jobs for life. A more fundamental worry is how a privatised and more aggressive Telekom will respond to this challenger. Mannesmann may initially be able to cherry-pick big business customers by undercutting the incumbent. But, unless it differentiates its service, in the longer term it will be vulnerable as Telekom enjoys greater economies of scale. That, certainly, is the lesson of Mercury Communications' battle with British Telecommunications in the UK.

FT-SE Eurotrack 200:
1662.5 (-19.2)



Tesco/Docks de France

Tesco's shareholders will breath a collective sigh of relief today at their company's decision not to throw £2.5bn into a French acquisition that offered no decent pay-back until the next century at the earliest. Of course, Tesco was most likely to have bought out retailer Docks de France with a consortium of partners, such as Carrefour. This would not only have brought the acquisition price down to a more palatable level but such a partnership could have offered the basis for expansion into other markets. However, the idea that a deal cobbled together over a fortnight could make the basis for a glorious long-term relationship smacked of fantasy. Besides, Auchan always looked odds-on favourite to win a contested bid, since it has no shareholders to answer to.

Before Tesco's shareholders move into celebratory mode over the disappearance of Docks, they should consider what this episode says about Tesco's overseas strategy. True, Tesco was under an obligation to look at any deal that might enhance its hitherto disappointing Catteau acquisition. But the fact is that the group's push outside the UK has offered embarrassingly low returns for investors; and since overseas expansion is a stated objective, a significant acquisition will eventually be required. Valuations for European food retailers are such that any equity-funded deal is likely to dilute earnings. Moreover, there is no evidence that continental shoppers want to shop in a UK-style supermarket, however efficient it might be. The Docks deal is sunk, but the strategy could continue to make investors seasick.

Signet

After months of talk, the sale of Signet's UK jewellery chains should ease the way to a much-needed capital reconstruction. Expected proceeds of £280m for the UK operations are below hopes of £300m voiced in the spring – which may explain why shares in the former Ratners group have drifted back to 28p. But this is still a decent result given the management's relatively weak negotiating position.

The money will allow the group to repay the bulk of its £300m to £325m of bank borrowings, which are currently at a seasonal low. That would leave Signet as the second largest multiple jewellery retailer in the US, where its Sterling chain made pre-tax profits of £46m on turnover of almost £560m last year. Sterling's like-for-like sales growth is currently running at 8 per cent. Its main rival, Zale Corporation, which is growing more slowly, is trading on almost 19 times historic earnings. Even using a more conservative 16-17 times would give a value of around £490m to £530m.

Against that must be weighed the obligations to preference shareholders of around £450m including £135m of dividend arrears. That means they will still end up with the lion's share of value in any reconstruction. But assuming that preference holders are repaid 90 per cent of what they are owed – half-way between the negotiating positions of rebels and management when talks last broke down – and subtracting the remaining debt, ordinary shareholders would be left with a stake worth £55m to £85m, equivalent to between 20p and 30p a share.

Thorn EMI

With three weeks to go before the final cut, doubts are emerging about the value being unlocked from the break-up of Thorn EMI. The two core businesses are finally coming off the boil, after a steamy 12 months, and so are break-up valuations. Meanwhile, hopes of a bid for EMI have faded fast. But investors should be patient.

Shares in Philips' entertainment subsidiary, PolyGram, have fallen more than 10 per cent in the last two months, reflecting concerns about a softer world music market – something EMI did little to dispel yesterday. Profits growth from the music business has declined, despite the benefits of a strong first quarter release schedule. Nonetheless, long-term growth prospects remain good, particularly in emerging markets, where EMI has built a presence.

Meanwhile, the decline at Thorn, the rental business, is attributable to the pace of investment in its new Crazy George rent-to-own chain. Most analysts' break-up valuations comfortably exceed the current share price, despite giving Thorn a sizeable discount to the retail sector. With its strong cash flow and international exposure, it should do better.

Meanwhile, a bid for EMI should not be ruled out. The pay-off package for Mr Jim Fifield, chief executive, might prove hard to swallow and oft-touted purchasers like News Corporation, Disney and Viacom may not look particularly likely. But Seagram remains a possibility. EMI's geographic strengths would complement those of Seagram's MCA music subsidiary, offering substantial cost savings on distribution. And Seagram's Time Warner stake could fund some of the cost. History suggests that it is unwise to bet against bids in the media sector.

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